United Nations A/60/540

General Assembly

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Sixtieth session
Agenda item 138

Financing of the United Nations Operation in Côte d'Ivoire

Report of the Fifth Committee

Rapporteur: Ms. Katja **Pehrman** (Finland)

I. Introduction

1. At its 17th plenary meeting, on 20 September 2005, the General Assembly, on the recommendation of the General Committee, decided to include in the agenda of its sixtieth session the item entitled "Financing of the United Nations Operation in Côte d'Ivoire" and to allocate it to the Fifth Committee.

2. The Fifth Committee considered the item at its 11th and 15th meetings, on 24 and 28 October 2005. Statements and observations made in the course of the Committee's consideration of the item are reflected in the relevant summary records (A/C.5/60/SR.11 and 15).

3. For its consideration of the item, the Committee had before it the following documents:

(a) Report of the Secretary-General on the revised budget for the United Nations Operation in Côte d'Ivoire for the period from 1 July 2005 to 30 June 2006 (A/60/364);

(b) Report of the Advisory Committee on Administrative and Budgetary Questions (A/60/420).

II. Consideration of draft resolution A/C.5/60/L.4

4. At its 15th meeting, on 28 October, the Committee had before it a draft resolution entitled "Financing of the United Nations Operation in Côte d'Ivoire" (A/C.5/60/L.4), submitted by the Chairman on the basis of informal consultations coordinated by the representative of Ireland.

5. At the same meeting, the Committee adopted draft resolution A/C.5/60/L.4 without a vote (see para. 6).

05-59078 (E) 101105

III. Recommendation of the Fifth Committee

6. The Fifth Committee recommends to the General Assembly the adoption of the following draft resolution:

Financing of the United Nations Operation in Côte d'Ivoire

The General Assembly,

Having considered the report of the Secretary-General on the financing of the United Nations Operation in Côte d'Ivoire[1] and the related report of the Advisory Committee on Administrative and Budgetary Questions,[2]

Recalling Security Council resolution 1528 (2004) of 27 February 2004, by which the Council established the United Nations Operation in Côte d'Ivoire for an initial period of twelve months as from 4 April 2004, and the subsequent resolutions by which the Council extended the mandate of the Operation, the latest of which was resolution 1609 (2005) of 24 June 2005,

Recalling also its resolution 58/310 of 18 June 2004 on the financing of the Operation and its subsequent resolutions thereon, the latest of which was resolution 59/16 B of 22 June 2005,

Reaffirming the general principles underlying the financing of United Nations peacekeeping operations, as stated in General Assembly resolutions 1874 (S-IV) of 27 June 1963, 3101 (XXVIII) of 11 December 1973 and 55/235 of 23 December 2000,

Mindful of the fact that it is essential to provide the Operation with the necessary financial resources to enable it to fulfil its responsibilities under the relevant resolutions of the Security Council,

1. *Requests* the Secretary-General to entrust the Head of the Mission with the task of formulating future budget proposals in full accordance with the provisions of General Assembly resolution 59/296 of 22 June 2005, as well as other relevant resolutions;

2. *Takes note* of the status of contributions to the United Nations Operation in Côte d'Ivoire as at 30 September 2005, including the contributions outstanding in the amount of 153.8 million United States dollars, representing some 22 per cent of the total assessed contributions, notes with concern that only twenty-seven Member States have paid their assessed contributions in full, and urges all other Member States, in particular those in arrears, to ensure payment of their outstanding assessed contributions;

3. *Expresses its appreciation* to those Member States which have paid their assessed contributions in full, and urges all other Member States to make every possible effort to ensure payment of their assessed contributions to the Operation in full;

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[1] A/60/364.

[2] A/60/420.

4. *Expresses concern* at the financial situation with regard to peacekeeping activities, in particular as regards the reimbursements to troop contributors that bear additional burdens owing to overdue payments by Member States of their assessments;

5. *Also expresses concern* at the delay experienced by the Secretary-General in deploying and providing adequate resources to some recent peacekeeping missions, in particular those in Africa;

6. *Emphasizes* that all future and existing peacekeeping missions shall be given equal and non-discriminatory treatment in respect of financial and administrative arrangements;

7. *Also emphasizes* that all peacekeeping missions shall be provided with adequate resources for the effective and efficient discharge of their respective mandates;

8. *Reiterates its request* to the Secretary-General to make the fullest possible use of facilities and equipment at the United Nations Logistics Base at Brindisi, Italy, in order to minimize the costs of procurement for the Operation;

9. *Endorses* the conclusions and recommendations contained in the report of the Advisory Committee on Administrative and Budgetary Questions,[2] and requests the Secretary-General to ensure their full implementation;

10. *Requests* the Secretary-General to ensure the full implementation of the relevant provisions of its resolution 59/296;

11. *Also requests* the Secretary-General to take all necessary action to ensure that the Operation is administered with a maximum of efficiency and economy;

12. *Further requests* the Secretary-General, in order to reduce the cost of employing General Service staff, to continue efforts to recruit local staff for the Operation against General Service posts, commensurate with the requirements of the Operation;

Revised budget estimates for the period from 1 July 2005 to 30 June 2006

13. *Decides* to appropriate to the Special Account for the United Nations Operation in Côte d'Ivoire the amount of 51,276,000 dollars for the maintenance of the Operation for the period from 1 July 2005 to 30 June 2006, in addition to the amount of 386,892,500 dollars already appropriated for the same period under the terms of its resolution 59/16 B;

Financing of the appropriation

14. *Also decides*, taking into account the amount of 386,892,500 dollars previously apportioned for the period from 1 July 2005 to 30 June 2006 under the terms of its resolution 59/16 B, to apportion among Member States the additional amount of 28,946,129 dollars for the period from 1 July 2005 to 24 January 2006, in accordance with the levels updated in General Assembly resolution 58/256 of 23 December 2003, and taking into account the scale of assessments for 2005 and 2006, as set out in its resolution 58/1 B of 23 December 2003;

15. *Further decides* that, in accordance with the provisions of its resolution 973 (X) of 15 December 1955, there shall be added to the apportionment among Member States, as provided for in paragraph 14 above, their respective share in the Tax Equalization Fund of the amount of 4,064 dollars, representing the estimated decrease in staff assessment income approved for the Operation for the period from 1 July 2005 to 24 January 2006;

16. *Decides* to apportion among Member States the additional amount of 22,329,871 dollars at a monthly rate of 4,273,000 dollars for the period from 25 January to 30 June 2006, in accordance with the scheme set out in paragraph 14 above, and taking into account the scale of assessments for 2006 as set out in its resolution 58/1 B, subject to a decision of the Security Council to extend the mandate of the Operation;

17. *Also decides* that, in accordance with the provisions of its resolution 973 (X), there shall be added to the apportionment among Member States, as provided for in paragraph 16 above, their respective share in the Tax Equalization Fund of the amount of 3,136 dollars, representing the estimated decrease in staff assessment income approved for the Operation for the period from 25 January to 30 June 2006;

18. *Emphasizes* that no peacekeeping mission shall be financed by borrowing funds from other active peacekeeping missions;

19. *Encourages* the Secretary-General to continue to take additional measures to ensure the safety and security of all personnel under the auspices of the United Nations participating in the Operation, bearing in mind paragraphs 5 and 6 of Security Council resolution 1502 (2003) of 26 August 2003;

20. *Invites* voluntary contributions to the Operation in cash and in the form of services and supplies acceptable to the Secretary-General, to be administered, as appropriate, in accordance with the procedure and practices established by the General Assembly;

21. *Decides* to keep under review during its sixtieth session the item entitled "Financing of the United Nations Operation in Côte d'Ivoire".

United Nations A/60/591

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Sixtieth session
Agenda item 126

Financing of the United Nations Stabilization Mission in Haiti

Report of the Fifth Committee

Rapporteur: Ms. Katja Pehrman (Finland)

I. Introduction

1. At its 17th plenary meeting, on 20 September 2005, the General Assembly, on the recommendation of the General Committee, decided to include in the agenda of its sixtieth session the item entitled "Financing of the United Nations Stabilization Mission in Haiti" and to allocate it to the Fifth Committee.

2. The Fifth Committee considered the item at its 2nd and 15th meetings, on 11 and 28 October 2005. Statements and observations made in the course of the Committee's consideration of the item are reflected in the relevant summary records (A/C.5/60/SR.2 and 15).

3. For its consideration of the item, the Committee had before it the following documents:

(a) Report of the Secretary-General on the revised budget for the United Nations Stabilization Mission in Haiti for the period from 1 July 2005 to 30 June 2006 (A/60/176 and Corr.1);

(b) Report of the Advisory Committee on Administrative and Budgetary Questions (A/60/586).

II. Consideration of draft resolution A/C.5/60/L.3

4. At its 15th meeting, on 28 October, the Committee had before it a draft resolution entitled "Financing of the United Nations Stabilization Mission in Haiti" (A/C.5/60/L.3), submitted by the representative of Benin, Vice-Chairman of the Committee, on the basis of informal consultations.

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5. At the same meeting, the representative of Benin, Vice-Chairman of the Committee and coordinator of the informal consultations, made a statement and introduced the draft resolution (see A/C.5/60/SR.15).

6. At the same meeting, the Committee adopted draft resolution A/C.5/60/L.3 without a vote (see para. 8).

7. Also at the same meeting, after the adoption of the draft resolution, the representative of China pointed out a discrepancy in the Chinese version of the draft resolution (see A/C.5/60/SR.15).

III. Recommendation of the Fifth Committee

8. The Fifth Committee recommends to the General Assembly the adoption of the following draft resolution:

Financing of the United Nations Stabilization Mission in Haiti

The General Assembly,

Having considered the report of the Secretary-General on the financing of the United Nations Stabilization Mission in Haiti[1] and the related report of the Advisory Committee on Administrative and Budgetary Questions,[2]

Recalling Security Council resolution 1529 (2004) of 29 February 2004, by which the Council declared its readiness to establish a United Nations stabilization force to support continuation of a peaceful and constitutional political process and the maintenance of a secure and stable environment in Haiti,

Recalling also Security Council resolution 1542 (2004) of 30 April 2004, by which the Council decided to establish the United Nations Stabilization Mission in Haiti for an initial period of six months, and the subsequent resolutions by which the Council extended the mandate of the Mission, the latest of which was resolution 1608 (2005) of 22 June 2005, by which the Council extended the mandate of the Mission until 15 February 2006 and authorized an increase for a temporary period in the military and civilian police components of the Mission,

Recalling further its resolution 58/311 of 18 June 2004 on the financing of the Mission and its subsequent resolutions thereon, the latest of which was resolution 59/17 B of 22 June 2005,

Reaffirming the general principles underlying the financing of United Nations peacekeeping operations, as stated in General Assembly resolutions 1874 (S-IV) of 27 June 1963, 3101 (XXVIII) of 11 December 1973 and 55/235 of 23 December 2000,

Mindful of the fact that it is essential to provide the Mission with the necessary financial resources to enable it to fulfil its responsibilities under the relevant resolutions of the Security Council,

1. *Requests* the Secretary-General to entrust the Head of Mission with the task of formulating future budget proposals in full accordance with the provisions of General Assembly resolution 59/296 of 22 June 2005, as well as other relevant resolutions;

2. *Takes note* of the status of contributions to the United Nations Stabilization Mission in Haiti as at 31 August 2005, including the contributions outstanding in the amount of 190.0 million United States dollars, representing some 34 per cent of the total assessed contributions, notes with concern that only twenty Member States have paid their assessed contributions in full, and urges all other

[1] A/60/176 and Corr.1.
[2] A/60/386.

Member States, in particular those in arrears, to ensure payment of their outstanding assessed contributions;

3. *Expresses its appreciation* to those Member States which have paid their assessed contributions in full and urges all other Member States to make every possible effort to ensure payment of their assessed contributions to the Mission in full;

4. *Expresses concern* at the financial situation with regard to peacekeeping activities, in particular as regards the reimbursements to troop contributors that bear additional burdens owing to overdue payments by Member States of their assessments;

5. *Also expresses concern* at the delay experienced by the Secretary-General in deploying and providing adequate resources to some recent peacekeeping missions, in particular those in Africa;

6. *Emphasizes* that all future and existing peacekeeping missions shall be given equal and non-discriminatory treatment in respect of financial and administrative arrangements;

7. *Also emphasizes* that all peacekeeping missions shall be provided with adequate resources for the effective and efficient discharge of their respective mandates;

8. *Reiterates its request* to the Secretary-General to make the fullest possible use of facilities and equipment at the United Nations Logistics Base at Brindisi, Italy, in order to minimize the costs of procurement for the Mission,

9. *Endorses* the conclusions and recommendations contained in the report of the Advisory Committee on Administrative and Budgetary Questions,[2] subject to the provisions of the present resolution, and requests the Secretary-General to ensure their full implementation;

10. *Decides* not to endorse paragraph 22 of the report of the Advisory Committee on Administrative and Budgetary Questions;[2]

11. *Also decides* to reduce the overall level of operational costs by 2,340,000 dollars, taking into account the reductions proposed in paragraphs 18 and 21 of the report of the Advisory Committee on Administrative and Budgetary Questions;[2]

12. *Requests* the Secretary-General to ensure the full implementation of relevant provisions of its resolution 59/296;

13. *Also requests* the Secretary-General to take all necessary action to ensure that the Mission is administered with a maximum of efficiency and economy;

14. *Further requests* the Secretary-General, in order to reduce the cost of employing General Service staff, to continue efforts to recruit local staff for the Mission against General Service posts, commensurate with the requirements of the Mission;

Revised budget estimates for the period from 1 July 2005 to 30 June 2006

15. *Decides* to appropriate to the Special Account for the United Nations Stabilization Mission in Haiti the amount of 46,414,900 dollars for the maintenance

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of the Mission for the period from 1 July 2005 to 30 June 2006, in addition to the amount of 494,887,000 dollars already appropriated for the same period under the terms of its resolution 59/17 B;

Financing of the appropriation

16. *Also decides*, taking into account the amount of 494,887,000 dollars previously apportioned at a monthly rate of 41,240,583 dollars for the period from 1 July 2005 to 30 June 2006 under the terms of its resolution 59/17 B, to apportion among Member States the additional amount of 29,147,500 dollars for the period from 1 July 2005 to 15 February 2006, in accordance with the levels updated in General Assembly resolution 58/256 of 23 December 2003 and taking into account the scale of assessments for 2005 and 2006, as set out in its resolution 58/1 B of 23 December 2003;

17. *Further decides* that, in accordance with the provisions of its resolution 973 (X) of 15 December 1955, there shall be set off against the apportionment among Member States, as provided for in paragraph 16 above, their respective share in the Tax Equalization Fund of the additional amount of 104,100 dollars approved for the Mission for the period from 1 July 2005 to 15 February 2006;

18. *Decides* to apportion among Member States the additional amount of 17,267,400 dollars for the period from 16 February to 30 June 2006 at a monthly rate of 3,867,900 dollars, in accordance with the levels updated in General Assembly resolution 58/256 and taking into account the scale of assessments for 2006, as set out in its resolution 58/1 B, subject to a decision of the Security Council to extend the mandate of the Mission;

19. *Also decides* that, in accordance with the provisions of its resolution 973 (X), there shall be set off against the apportionment among Member States, as provided for in paragraph 18 above, their respective share in the Tax Equalization Fund of the additional amount of 61,600 dollars approved for the Mission;

20. *Emphasizes* that no peacekeeping mission shall be financed by borrowing funds from other active peacekeeping missions;

21. *Encourages* the Secretary-General to continue to take additional measures to ensure the safety and security of all personnel under the auspices of the United Nations participating in the Mission, bearing in mind paragraphs 5 and 6 of Security Council resolution 1502 (2003) of 26 August 2003;

22. *Invites* voluntary contributions to the Mission in cash and in the form of services and supplies acceptable to the Secretary-General, to be administered, as appropriate, in accordance with the procedure and practices established by the General Assembly;

23. *Decides* to keep under review during its sixtieth session the item entitled "Financing of the United Nations Stabilization Mission in Haiti".

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General Assembly

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Sixtieth session
Agenda item 113 (a)

Appointments to fill vacancies in subsidiary organs and other appointments: appointment of members of the Advisory Committee on Administrative and Budgetary Questions

Report of the Fifth Committee

Rapporteur: Mrs. Katja **Pehrman** (Finland)

1. At its 17th plenary meeting, on 20 September 2005, the General Assembly, on the recommendation of the General Committee, decided to include in the agenda of its sixtieth session the item entitled "Appointments to fill vacancies in subsidiary organs and other appointments: appointment of members of the Advisory Committee on Administrative and Budgetary Questions".

2. At its 20th meeting, on 3 November, the Fifth Committee had before it the following documents:

(a) Note by the Secretary-General concerning the vacancies in the membership of the Advisory Committee on Administrative and Budgetary Questions that would occur as a result of the expiration of the term of office of five of its members on 31 December 2005 (A/60/101);

(b) Note by the Secretary-General containing the names of five persons nominated by their respective Governments for appointment or reappointment to the Advisory Committee on Administrative and Budgetary Questions for a three-year term of office beginning on 1 January 2006 (A/C.5/60/4).

3. At the same meeting, the Committee decided, by acclamation, to recommend to the General Assembly that it appoint Guillermo Kendall (Argentina), Igor V. Khalevinski (Russian Federation), Susan M. McLurg (United States of America), Tommo Monthe (Cameroon) and Christina Vasak (France) as members of the Advisory Committee for a three-year term of office beginning on 1 January 2006 (see para. 4).

05-60024 (E) 141105

Recommendation of the Fifth Committee

4. The Fifth Committee recommends that the General Assembly appoint the following persons as members of the Advisory Committee on Administrative and Budgetary Questions for a three-year term of office beginning on 1 January 2006:

Guillermo Kendall (Argentina)
Igor V. Khalevinski (Russian Federation)
Susan M. McLurg (United States of America)
Tommo Monthe (Cameroon)
Christina Vasak (France)

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General Assembly

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Sixtieth session
Agenda item 113 (b)

Appointments to fill vacancies in subsidiary organs and other appointments: appointment of members of the Committee on Contributions

Report of the Fifth Committee

Rapporteur: Ms. Katja **Pehrman** (Finland)

1. At its 17th plenary meeting, on 20 September 2005, the General Assembly, on the recommendation of the General Committee, decided to include in the agenda of its sixtieth session the item entitled "Appointments to fill vacancies in subsidiary organs and other appointments: appointment of members of the Committee on Contributions".

2. At its 20th meeting, on 3 November, the Fifth Committee had before it the following documents:

(a) Note by the Secretary-General concerning the vacancies in the membership of the Committee on Contributions that would occur as a result of the expiration of the term of office of six of its members on 31 December 2005 (A/60/102);

(b) Note by the Secretary-General containing the names of seven persons nominated by their respective Governments for appointment or reappointment to the Committee on Contributions for a three-year term of office beginning on 1 January 2006 (A/C.5/60/5).

3. At the same meeting, the Committee decided, by acclamation, to recommend to the General Assembly that it appoint Sujata Ghorai (Germany), Vyacheslav Anatolievich Logutov (Russian Federation), Richard Moon (United Kingdom of Great Britain and Northern Ireland) and Henrique da Silveira Sardinha Pinto (Brazil) as members of the Committee on Contributions for a three-year term of office beginning on 1 January 2006 (see para. 7).

4. The Committee then proceeded to select, by secret ballot, two persons from the three candidates proposed by the Asian States.

05-60036 (E) 141105

5. The results of the secret ballot was as follows: Wu Gang (China), 115 votes; Hae-yun Park (Republic of Korea), 110 votes; and Mhd. Najib Elji (Syrian Arab Republic), 82 votes.

6. Having obtained the required majority, Wu Gang (China) and Hae-yun Park (Republic of Korea) were recommended for appointment as members of the Committee on Contributions for a three-year term of office beginning on 1 January 2006 (see para. 7).

Recommendation of the Fifth Committee

7. The Fifth Committee recommends that the General Assembly appoint the following persons as members of the Committee on Contributions for a three-year term of office beginning on 1 January 2006:

Sujata Ghorai (Germany)
Vyacheslav Anatolievich Logutov (Russian Federation)
Richard Moon (United Kingdom of Great Britain and Northern Ireland)
Hae-yun Park (Republic of Korea)
Henrique da Silveira Sardinha Pinto (Brazil)
Wu Gang (China)

United Nations A/60/544

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Sixtieth session
Agenda item 113 (c)

Appointments to fill vacancies in subsidiary organs and other appointments: confirmation of the appointment of members of the Investments Committee

Report of the Fifth Committee

Rapporteur: Ms. Katja **Pehrman** (Finland)

1. At its 17th plenary meeting, on 20 September 2005, the General Assembly, on the recommendation of the General Committee, decided to include in the agenda of its sixtieth session the item entitled "Appointments to fill vacancies in subsidiary organs and other appointments: confirmation of the appointment of members of the Investments Committee".

2. At its 20th meeting, on 3 November 2005, the Fifth Committee had before it the following documents:

(a) Note by the Secretary-General concerning vacancies in the membership of the Investments Committee that would occur as a result of the expiration of the term of office of three of its members on 31 December 2005 (A/60/103);

(b) Note by the Secretary-General in which, in accordance with the provisions of article 20 of the Regulations of the United Nations Joint Staff Pension Fund, the Secretary-General, after consultation with the Standing Committee of the United Nations Joint Staff Pension Board and the Advisory Committee on Administrative and Budgetary Questions, submitted for confirmation by the General Assembly the reappointment of three persons as members of the Investments Committee for a three-year term of office beginning on 1 January 2006 (A/C.5/60/6).

3. At the same meeting, the Fifth Committee decided, by acclamation, to recommend to the General Assembly that it confirm the appointment of Madhav Dhar (India), Nemir A. Kirdar (Iraq) and Masakazu Arikawa (Japan) as members of the Investments Committee for a three-year term of office beginning on 1 January 2006 (see para. 4).

05-60044 (E) 141105

Recommendation of the Fifth Committee

4. The Fifth Committee recommends that the General Assembly confirm the appointment by the Secretary-General of the following persons as members of the Investments Committee for a three-year term of office beginning on 1 January 2006:

Madhav Dhar (India)
Nemir A. Kirdar (Iraq)
Masakazu Arikawa (Japan)

United Nations A/60/545

General Assembly

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Sixtieth session
Agenda item 113 (d)

Appointments to fill vacancies in subsidiary organs and other appointments: appointment of a member of the Board of Auditors

Report of the Fifth Committee

Rapporteur: Ms. Katja **Pehrman** (Finland)

1. At its 17th plenary meeting, on 20 September 2005, the General Assembly, on the recommendation of the General Committee, decided to include in the agenda of its sixtieth session the item entitled "Appointments to fill vacancies in subsidiary organs and other appointments: appointment of a member of the Board of Auditors".

2. At its 20th meeting, on 3 November 2005, the Fifth Committee had before it the following documents:

(a) Note by the Secretary-General concerning a vacancy in the membership of the Board of Auditors that would occur as a result of the expiration of the term of office of one of its members on 30 June 2006 (A/60/104);

(b) Note by the Secretary-General in which he reported that the Government of South Africa had nominated the Auditor-General of the Republic of South Africa for reappointment as a member of the Board of Auditors for a six-year term of office beginning on 1 July 2006 (A/C.5/60/7).

3. At the same meeting, the Committee decided, by acclamation, to recommend to the General Assembly that it appoint the Auditor-General of the Republic of South Africa as a member of the Board of Auditors for a six-year term of office beginning on 1 July 2006 (see para. 4).

Recommendation of the Fifth Committee

4. The Fifth Committee recommends that the General Assembly appoint the Auditor-General of the Republic of South Africa as a member of the Board of Auditors for a six-year term of office beginning on 1 July 2006.

05-60050 (E) 141105

United Nations A/60/546

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Agenda item 113 (e)

Appointments to fill vacancies in subsidiary organs and other appointments: appointment of members of the International Civil Service Commission

Report of the Fifth Committee

Rapporteur: Ms. Katja **Pehrman** (Finland)

I. Introduction

1. At its 17th plenary meeting, on 20 September 2005, the General Assembly, on the recommendation of the General Committee, decided to include in the agenda of its sixtieth session the item entitled "Appointments to fill vacancies in subsidiary organs and other appointments: appointment of members of the International Civil Service Commission" and to allocate it to the Fifth Committee.

2. At its 20th meeting, on 3 November, the Fifth Committee had before it the following documents:

(a) Note by the Secretary-General on appointment of members of the International Civil Service Commission (A/60/105);

(b) Note by the Secretary-General on appointment of members of the International Civil Service Commission (A/C.5/60/8).

3. At the same meeting, the Committee decided, by acclamation, to recommend the appointment of Minoru Endo (Japan), Gilberto Paranhos Velloso (Brazil), Lucretia Myers (United States of America), Wolfgang Stockl (Germany) and Gian Luigi Valenza (Italy) as members of the Commission for a four-year term of office beginning on 1 January 2006 (see para. 4).

05-60068 (E) 141105

II. Recommendation of the Fifth Committee

4. The Fifth Committee recommends that the General Assembly appoint the following persons as members of the International Civil Service Commission for a four-year term of office beginning on 1 January 2006:

Mr. Minoru Endo (Japan)
Mr. Gilberto Paranhos Velloso (Brazil)
Ms. Lucretia Myers (United States of America)
Mr. Wolfgang Stockl (Germany)
Mr. Gian Luigi Valenza (Italy)

United Nations A/60/547

General Assembly

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Sixtieth session
Agenda items 12 and 32

Prevention of armed conflict

Comprehensive review of the whole question of peacekeeping operations in all their aspects

Letter dated 7 November 2005 from the Permanent Representative of Georgia to the United Nations addressed to the Secretary-General

I have the honour to transmit the Georgian-South Ossetian Peace Plan developed by the Government of Georgia (see annex).

I should be grateful if the present letter and its annex could be circulated as a document of the General Assembly, under agenda items 12 and 32.

(*Signed*) Revaz **Adamia**
Ambassador
Permanent Representative

05-59385 (E) 151105

Annex to the letter dated 7 November 2005 from the Permanent Representative of Georgia to the United Nations addressed to the Secretary-General

Draft

GEORGIAN - SOUTH OSSETIAN PEACE PLAN

* Draft peace plan is in process of negotiations with South Ossetian and Russian parties.

2005				
Goals & Objectives: Engage conflict parties in new format to promote conflict resolution process; To outline a common strategy among parties in the conflict and partners in support of conflict settlement process; Work towards significant progress at Ljubljana ministerial.				
Date	International actions	Operational activities	Negotiated actions	Georgian unilateral actions
Oct	1. Partners - Georgian consultations on strategy for South Ossetia. 2. Partners make public statement in support of President Saakashvili's speech and peace-plan. 3. Partners support Georgian intervention at OSCE high-level meeting.	1. In address to the country, President Saakashvili identifies single official with responsibility for coordination of South Ossetia policy and leadership of interagency coordination mechanism, pledges no use of force. 2. Coordinator convenes interagency group to agree on Georgian strategy for South Ossetia. 3. Enhance discussions in JCC on law and order issues and CBMs. i.e. transport, activating SCC etc. 4. At OSCE high-level meeting in Vienna, explain Georgian strategy.	1. Promote strengthening of basic law/order in South Ossetia in JCC format. Confirm no further deployment of armed forces without JCC agreement. Make concrete proposal in JCC for resumption of work of Special Coordination Center (SCC) 2. Discuss in JCC the increase of Georgian peacekeeping battalion to minimum number necessary for peacekeeping operations. 3. In JCC, propose plan for regularizing Gori-Tskhinvali-Kekhvi public transport connection. 4. In cooperation with JCC, begin discussions on bilateral policing.	1. In address to the country, Saakashvili identifies single official with responsibility for coordination of South Ossetia policy and leadership of interagency coordination mechanism, pledges no use of force, and invites South Ossetia to engage in peaceful process. 2. Georgia moves forward to regularize meetings of "Intergovernmental Coordinating Group" (ICG) 3. PM and other officials begin meeting with Russian reps. in Tbilisi and counterparts in Moscow; 4. PM, Parliament and MFA begin contacts with OSCE/EU member states and CoE (end of Oct)

Date	International actions	Operational activities	Negotiated actions	Georgian unilateral actions
Nov	1. Partners agree on cooperative approach. 2. Georgia, Partners engage EU to brief on Georgian strategy 3. Urge South Ossetia for Kokoity-Coordinator meeting.	1. Georgia demarches EU, Russia, others to outline strategy, requests support. 2. Georgia seeks meeting with the Coordinator and South Ossetian "president" Kokoity 3. Coordinator-Kokoity meeting: introductory, outline strategy, propose sustained dialogue outside of JCC, establishment of direct crisis hotline. 4. Advance proposals to organize meetings in addition to JCC format on CBMs - i.e. joint health, education, culture programs, etc.	1. State Minister (SM) organizes meeting of coordinator-Kokoity 2. Meetings proposing CBMs managed by SM	1. Move forward with restitution law. 2. Intensify cooperation with OSCE and EC for needs assessment program on regular basis and introduce Georgian proposal to co-fund some projects based on outcome of needs assessment. 3. PM and/or NSA and other officials continue meetings with Russian reps. in Tbilisi and counterparts in Moscow; PM, NSA, MFA and SMEI begin contacts with OSCE/EU member states 4. Begin the rehabilitation of basic infrastructure of conflict zone villages and provision of supplies for winter (intended as a signal of good will to Ossetian villages, which will be offered the same.)

2005				
Date	International actions	Operational activities	Negotiated actions	Georgian unilateral actions
Nov	1. Partners continue to urge parties for cooperation with Georgian initiatives. 2. Partners continue supporting Georgian intervention at OSCE high-level meeting.	1. Organize series of "Bridges of Peace", talk-shows and interactive open discussions on Ossetian issues on Georgian public TV/radio, with participation of Ossetian officials and public. 2. Continue intervention at OSCE high-level meeting in Vienna. 3. Discussion on political settlement resumes, based on Baden package [adopted Vienna 2000]	1. In JCC, establish resumption of work of SCC. Complete optimization of stationary police checkpoints. Make concrete proposals for joint policing activities.	1. Continue progress on restitution law, including discussions with North Ossetian side. 2. Continuation of meetings on cooperation with OSCE-led needs assessment.

2005				
Date	International actions	Operational activities	Negotiated actions	Georgian unilateral actions
Nov-Dec	1. Partners express public support for restitution law and full-scale settlement of the conflict.	1. Continue meetings on cooperation and CBMs; Special focus on provisions of Strasbourg initiatives: official language, representation in Parliament, Government and Judiciary. 2. In OSCE high level meetings and capitals, highlight law on restitution, repeat appeals for support of peace process.	1. Continue discussions on joint policing; begin to operationalize ideas. 2. In coordination with JCC, strengthen Georgian JPKF to agreed number. 3. Coordinator-Kokoity meeting.	1. Adopt law on restitution. Public roll-out, including invitation to South Ossetians to direct dialogue on implementation and invitation to South Ossetians to return. 2. Continue cooperation with OSCE-led needs assessment. 3. Continue assistance to villages in conflict zone with basic infrastructure, medical service (ambulance) and winter supplies.

2005				
Date	International actions	Operational activities	Negotiated actions	Georgian unilateral actions
Dec	1. Partners support Georgia at Ljubljana ministerial. 2. Partners support status talks in new framework	1. Ljubljana meeting. Seek positive statement on outcome as stand-alone declaration of OSCE ministerial. 2. Propose 2006 date for first meeting of South Ossetia status talks in new framework. Seek pledges of international assistance for implementation of projects identified in needs assessment. 3. Continue GoG outreach to improve social conditions of residents of South Ossetia 4. Post-Ljubljana Coordinator-Kokoity meeting.	1. Begin implementation of projects discussed through dialogue on cooperation and CBMs. 2. Conclusion of OSCE-led needs assessment.	1. Conduct evaluation for potential pension distribution system. Georgia allocates funds in budget for pensions. 2. Encourage and coordinate direct contacts between Georgian Government institutions and line ministries with their counterparts in South Ossetia. 3. Encourage greater NGO contacts.

2006				
Goals & Objectives: Further advance process of full-scale political settlement and civil integration of the region into Georgian state; Ensure rule of law, democratic development and economic revival of the region				
Date	International actions	Operational activities	Negotiated actions	Georgian unilateral actions
Jan-Feb	1. Partners provide expert assistance on free trade zones. 2. Partners make a statement in support of Joint Rehabilitation Fund	1. Approach partners for support for work identified in OSCE needs assessment; request support at OSCE PC. 2. First round of South Ossetia talks in new framework. 3. Coordinator-Kokoity meetings concerning new framework. 4. Propose informal meetings of Georgian and South Ossetian NGOs and policy makers. 5. Enhance scope of CBMs conducted outside JCC format.	1. In JCC, continue discussions of joint policing/law enforcement. 2. Continue development and implementation of CBMs (e.g. joint reopening of regulated Ergneti market based on joint control of Roki tunnel). 3. Begin direct dialogue with South Ossetia on implementation of restitution law and returns. 4. Discuss possibility of Georgian co-funding of projects identified by OSCE needs assessment. 5. Ensure demilitarization process starting from conflict zone with further spreading throughout entire region. 6. Establishment of Joint Rehabilitation Fund offices in Tbilisi and Tskhinvali.	1. Propose informal meetings of Georgian and South Ossetian NGOs and policy makers. 2. Engage international organizations i.e. EU, UNHCR, OSCE to assist with the implementation of restitution law. 3. Request US assistance on creation free trade zone contingent upon enhanced border control (Roki tunnel) and progress in political settlement. 4. Enhance contacts between Georgian Government institutions and line ministries with their counterparts in South Ossetia on specific initiatives. 5. Create a Joint Geo-Ossetian Rehabilitation Fund with (EU, RUS, US) donors support.

2006				
Date	International actions	Operational activities	Negotiated actions	Georgian unilateral actions
Feb-Mar	1. Partners support South Ossetia economic, social and infrastructure reconstruction projects.	1. Host an assistance caucus for projects identified by OSCE needs assessment.	1. Continue development and implementation of CBMs (e.g. discussions on creation of special trade zone). 2. Through JCC, strengthen joint policing/law enforcement and introduce joint police training. 3. Continue direct dialogue on implementation of restitution and returns. 4. In cooperation with OSCE and donors, begin to move forward with projects identified by needs assessment. 5. Reach agreement on restitution/returns and timetable. 6. In JCC, propose extension of joint policing/law enforcement to monitoring of Roki tunnel.	1. Start registration of pensioners of the region. 2. Continue implementation of restitution law in coordination with North Ossetian authorities and respective international organizations. 3. Regularize contacts between Georgian Government institutions and line ministries and NGOs with their counterparts in South Ossetia on specific initiatives. 4. Propose a meeting between the representatives of Georgian and South Ossetian legislative branches. 5. Continuation of targeted small-scale assistance to conflict zone villages based on need and interest.

2006				
Date	International actions	Operational activities	Negotiated actions	Georgian unilateral actions
Apr-Jun	1. Partners continue diplomatic dialogue in support of peace process. 2. Partners provide funding for implementation of OSCE needs assessment and other projects.	1. Continue South Ossetia talks at one/two month intervals, expert-level subgroups negotiate details more frequently, consultations with Venice Commission. Work toward draft agreement on South Ossetia's status. 2. Continue highlighting in Presidential speeches and in international arena commitment to peaceful process. 3. Continue intense diplomatic contacts with Russia, U.S., EU, and OSCE CiO (Belgium) for support. 4. Expand joint bilateral police training and policing in the region.	1. Continue implementation of projects identified by needs assessment. 2. Continue to work through JCC to reduce to minimum risks of provocation. Establish joint commission to begin investigation of most severe crimes committed during 1991-92 conflict. 3. Begin restitution and return of refugees/IDPs according to agreed timetable.	1. Continue highlighting in Presidential speeches and in international arena commitment to peaceful process. 2. Strengthen contacts between Georgian Government institutions and line ministries and NGOs with their counterparts in South Ossetia on specific initiatives. 3. Continue informal meetings of Georgian and South Ossetian NGOs and policy makers. 4. First disbursement of pensions.

2006				
Date	International actions	Operational activities	Negotiated actions	Georgian unilateral actions
Jul-Sep	1. Brussels conference: Partners continue diplomatic support.	1. Conference before/after OSCE ministerial in Brussels to conclude agreement.	1. Begin dialogue on transformation of JCC into joint body for implementation of the agreement on South Ossetia's status.	1. Reinforce cultural and ethnic heritage of South Ossetia through various celebrations, public holidays etc. 2. Establish Georgian passport distribution office in the region. 3. Provide incentives for businesses to invest in the region.

ABBREVIATIONS

JCC	– Joint Control Commission
SCC	– Special Coordination Center (law enforcement body, JCC format)
CBM	– Confidence Building Measure
ICG	– Intergovernmental Coordinating Group
PM	– Prime-Minister
NSA	– National Security Advisor
MFA	– Minister of Foreign Affairs
UNGA	– United Nations General Assembly
CoE	– Council of Europe
OSCE	– Organization for Security and Cooperation in Europe
EU	– European Union
SM	– State Minister
SMEI	– State Minister for European Integration
CMG	– Conflict Management Group
CFR	– Council on Foreign Relations
JPKF	– Joint Peace-keeping Forces
GoG	– Government of Georgia
OSCE PC	– OSCE Permanent Council
UNHCR	– United Nations High Commissioner on Refugees
OSCE CiO	– OSCE Chairman in Office
IDP	– Internally displaced person

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General Assembly

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Sixtieth session
Agenda items 118, 119, 122, 123, 124 and 132

United Nations reform: measures and proposals

Strengthening of the United Nations system

Review of the efficiency of the administrative and financial functioning of the United Nations

Programme budget for the biennium 2004-2005

Proposed programme budget for the biennium 2006-2007

Report of the Secretary-General on the activities of the Office of Internal Oversight Services

Letter dated 8 November 2005 from the Permanent Representative of Jamaica to the United Nations addressed to the President of the General Assembly

I am writing on behalf of the Group of 77 and China with respect to the outcome of the High-level Plenary Meeting of the General Assembly held in September 2005 and the follow-up to the Secretariat and management reform issues, in particular the creation of new administrative structures and their budgetary implications.

The Group wishes to commend you for your commitment to an open, transparent and inclusive process. This is imperative if we are to build on the lessons learned from the 2005 World Summit Outcome process.

We wish to make reference to the report of the Secretary-General entitled "Implementation of decisions from the 2005 World Summit Outcome for action by the Secretary-General" (A/60/430), which is in circulation but has not been formally introduced to the General Assembly for its consideration. The Secretary-General, on 25 October 2005, during his introduction of the proposed programme budget for the biennium 2006-2007, drew on elements of that report and conveyed to Member States his ideas regarding the follow-up to the implementation of the Secretariat and management reform issues.

In view of recent initiatives and actions that have been taken by the Secretariat, which appear to be in contradiction with very delicately balanced agreements reached in September 2005, we wish to place on record our concerns

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with the approach being taken as well as our position on some of the elements raised by the Secretary-General in his statement and in his report (A/60/430).

The Group of 77 and China indicated in its statement under agenda item 124 that it would respond to the proposals relating to the reform of the Secretariat at the appropriate time, in the appropriate forum and under the appropriate agenda item. The Group consequently wishes to state its preliminary views on the points raised by the Secretary-General in his introduction of the proposed programme budget 2006-2007. We refer to the relevant paragraphs in the report (A/60/430), recognizing, however, that it has not been introduced for discussion by the General Assembly.

First of all, regarding the range of issues relating to management reforms; as well as the creation of administrative structures and their budgetary implications, there seems to be a degree of ambiguity and contradiction in the report, as well as some reinterpretation of the provisions of General Assembly resolution 60/1 adopted at the High-level Plenary Meeting.

One example of such contradiction relates to paragraph 8. While it is mentioned clearly in this paragraph that "Budgetary implications related to matters still under consideration by Member States, such as the Peacebuilding Commission and the Human Rights Council, will need to be assessed separately once the final decisions on modalities have been taken", paragraphs 19 and 28 suggest that estimates for budgetary implications relating to the Peacebuilding Commission and the Human Rights Council will be submitted by the beginning of November. Such action could be interpreted as prejudging the outcome of the intergovernmental negotiations under way under your leadership and in accordance with paragraph 160 of General Assembly resolution 60/1. The Secretariat should exercise caution in dealing with such sensitive issues, which could be regarded as intervention in the intergovernmental process.

Furthermore, there seems to be a reinterpretation of the provisions contained in resolution 60/1 regarding the establishment of certain administrative structures in the Secretariat as outlined in the following examples:

Paragraph 24 of the Secretary-General's report suggests that the establishment of a rule of law unit is under way in the framework of the peacebuilding support office. Paragraph 134 of resolution 60/1 clearly indicated support for the idea of establishing a rule of law assistance unit within the Secretariat, and requested the Secretary-General to submit a report to the General Assembly in accordance with the existing relevant procedures governing the establishment of such structures. A detailed proposal needs to be submitted to the Assembly through the established procedures.

In the same vein, paragraph 30 of the report indicates that the Secretary-General will issue a bulletin establishing an ethics office by the end of the month of October. This comes as a surprise to us and raises serious concerns as it represents a departure from the agreement reached at the level of Heads of State and Government as contained in paragraph 161 (d) of resolution 60/1, which requested the Secretary-General to present details pertaining to an ethics office with independent status to the General Assembly at its sixtieth session. The expected procedure in this case is for all details, not just the budgetary implications, to be submitted to the General Assembly for its consideration in accordance with the existing rules and procedures.

I would also like to stress the following points regarding the issue of improving oversight throughout the United Nations system, with respect to paragraphs 34, 35 and 36 of the report of the Secretary-General.

We are surprised to learn that there is a proposed independent external evaluation of the OIOS, separate from that requested in paragraph 164 (b) of resolution 60/1. While we underscore the need for effective oversight mechanisms, we caution against an overload of the system. Duplication of studies and a piecemeal approach will not lead to strengthening the oversight mechanisms, rather they will overload the Organization with more layers of bureaucratic structures. We therefore suggest that all studies and the evaluation be channelled into the comprehensive review of the governance arrangements requested in paragraph 164 (b) of the resolution, to be submitted to the General Assembly for its consideration and decision.

Regarding the proposed establishment of an independent oversight committee, we also caution against establishing structures with overlapping mandates, which could result in more inefficiency and confusion in the functions of similar entities. Any proposal in this regard should be carefully thought out and include all the relevant information in accordance with paragraph 164 (c), including the relationship of such a structure with the existing independent, external entities as well as the internal mechanisms proposed by the Secretary-General.

With regard to the decision requesting the General Assembly and other relevant organs to review all mandates older than five years, paragraph 32 of the report of the Secretary-General seems to suggest a Secretariat-led process. It should be recalled that the role of the Secretariat is to facilitate the review by all organs and not to undertake the review itself, which is the purview of the General Assembly and other relevant organs. It is imperative to stress that this pertains only to those mandates older than five years, and should be conducted in an objective manner and not influenced by national political agendas.

The expectation of the Secretary-General that the review of the mandates will be completed in time for action in the first quarter of 2006 would indicate that many of the organs concerned will not have had an opportunity to undertake this review. We would need greater clarity on how this timeline could be achieved.

With regard to your proposal on the process to be followed for the consideration of the management reform proposals, as outlined in your letter of 3 November, while the plenary process can provide overall guidance on the implementation of resolution 60/1, I wish to emphasize the role of the Advisory Committee on Administrative and Budgetary Questions and the Fifth Committee in the consideration of the substantive and technical aspects of the management reform proposals. However, we believe that the review of mandates is a political exercise that should be considered at the plenary level once the relevant intergovernmental bodies have considered the mandates that fall under their purview. The remaining proposals should be submitted through the Advisory Committee and the Fifth Committee, in accordance with the established practice and the rules of procedure of the General Assembly.

The issues that I have outlined above reflect the concerns of the Group of 77 and China regarding approaches and actions reflected in document A/60/430 that are

inconsistent with our expectations of the processes and structures for consultations and negotiations and the provisions of resolution 60/1.

On behalf of the Group of 77 and China, I kindly request that the present letter be distributed as a document of the General Assembly under agenda items 118, 119, 122, 123, 124 and 132.

(*Signed*) Stafford **Neil**
Permanent Representative of Jamaica to the United Nations
Chairman of the Group of 77

United Nations A/60/549

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Sixtieth session
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General and complete disarmament: promotion of multilateralism in the area of disarmament and non-proliferation; towards a nuclear-weapon-free world: accelerating the implementation of nuclear disarmament commitments; establishment of a nuclear-weapon-free zone in Central Asia

Letter dated 8 November 2005 from the Permanent Representative of Turkmenistan to the United Nations addressed to the Secretary-General

I have the honour to forward herewith the text of the statement of the Halk Maslahaty (the People's Council) of Turkmenistan on support of the international initiatives to combat proliferation of weapons of mass destruction, adopted on 24 October 2005 (see annex).

I would appreciate it if you could circulate the present letter and its annex as a document of the General Assembly, under agenda items 97, 97 (h), 97 (l) and 97 (bb).

(*Signed*) Aksoltan **Ataeva**
Ambassador Extraordinary and Plenipotentiary
Permanent Representative of Turkmenistan to the United Nations

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Annex to the letter dated 8 November 2005 from the Permanent Representative of Turkmenistan to the United Nations addressed to the Secretary-General

[Original: Russian]

Statement of the Halk Maslahaty (People's Council) of Turkmenistan on support for the initiatives of international organizations to combat proliferation of weapons of mass destruction

We, the participants in the sixteenth session of the People's Council of Turkmenistan,

- Acknowledging the high authority of the foreign policy of the first and permanent President of Turkmenistan, Saparmurat Niyazov, in promoting international peace, stability and security, and taking as a foundation Turkmenistan's status of permanent neutrality, as recognized and supported by the United Nations;

- Recognizing the significance of Turkmenistan's participation in the collective efforts of the international community to prevent threats to mankind, and to prohibit the proliferation of weapons of mass destruction, which constitutes one of those threats;

- Emphasizing that Turkmenistan has adhered firmly and rigorously to its obligations not to possess, produce or proliferate nuclear, chemical, bacteriological or other weapons of mass destruction, not to facilitate the development of new forms of weapons of mass destruction or of new technologies for their production and, in that connection, emphasizing that it is a signatory to all the basic international legal instruments which provide guarantees for the establishment of, and concrete action towards, a collective security system;

- Drawing attention to the need to establish an effective international legal mechanism for the non-proliferation of weapons of mass destruction;

- Attaching great significance to the partnership between Turkmenistan and other States and international organizations in ensuring guaranteed peace and security,

Hereby adopt the following statement of the People's Council of Turkmenistan:

1. Turkmenistan fully supports international efforts to counter the proliferation of weapons of mass destruction, their means of delivery and related technologies. Accordingly, Turkmenistan is taking, and will continue to take, consistent practical action to establish an effective international legal mechanism for the non-proliferation of weapons of mass destruction.

2. Taking account of the fact that the illicit transport of weapons of mass destruction is a threat to the entire world, Turkmenistan confirms its endeavour to cooperate with other countries and international organizations to counter that threat.

Turkmenistan supports the initiatives of international organizations to counter the proliferation of weapons of mass destruction.

3. Turkmenistan prohibits the use of its sovereign airspace for transportation by air of weapons of mass destruction and related materials, missiles and missile technologies.

In that connection, Turkmenistan denies any aircraft suspected of illicitly transporting weapons of mass destruction, their means of delivery and related technologies the right to overfly its territory.

4. Turkmenistan will take additional steps to implement international initiatives for the non-proliferation of weapons of mass destruction and will strengthen its legal basis for the non-proliferation of such weapons.

Adopted by the participants in the sixteenth session of the People's Council of Turkmenistan.

The Chairman of the People's Council of Turkmenistan
Saparmurat Niyazov, President of Turkmenistan

Ashgabat, 24 October 2005

United Nations A/60/550

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Agenda item 124
Proposed programme budget for the biennium 2006-2007

Third annual progress report on the implementation of the capital master plan

Report of the Secretary-General*

Summary

The third annual progress report on the capital master plan is submitted pursuant to General Assembly resolution 57/292. The report outlines the activities relating to the project undertaken since the issuance of the previous report (A/59/441). In the past year there have been significant developments having an impact on the strategy for implementation of the capital master plan selected by the General Assembly in its resolution 57/292. The present report offers alternatives for implementation of the project and recommends the adoption of a phased approach (strategy IV) as well as a revised project budget of $1,587.8 million and related financing modalities.

A decision by the General Assembly on the 2006 appropriation for financing the activities emanating from strategy IV in the amount of $108,698,000 and for establishing in 2006 a project operating reserve in the amount of $45 million to ensure continuity of activities in the context of project implementation will be required.

* The issuance of the present report was delayed owing to the need to complete consultations on possible alternatives for implementation of the capital master plan in view of significant negative developments affecting the project.

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Contents

		Paragraphs	Page
I.	Introduction	1	
II.	Summary of the approved project scope and initial strategy	2–4	
III.	Developments relating to the project since the issuance of the second progress report	5–7	
IV.	Summary of new strategic options	8	
V.	Framework for evaluation of the new strategic options	9–11	
VI.	Evaluation of strategic options and related recommendations	12–19	
VII.	Comparative cost parameters	20–21	
VIII.	Summary of resource requirements for recommended strategy	22–23	
IX.	Consideration of funding aspects	24–30	
X.	Financing options	31–43	
XI.	Status of appropriations and expenditures	44–48	
XII.	Status of the advisory board and financial consultant	49–51	
XIII.	Conclusions and recommendations	52–53	

I. Introduction

1. The capital master plan for United Nations Headquarters has reached a critical juncture, requiring a revision of the approach previously approved by the General Assembly in its resolution 57/292. Four alternative strategies for implementation of the capital master plan have been studied with respect to the scope, phasing, cost and schedule of the project, as well as the issue of swing space, and the one recommended, strategy IV, is presented below. The present report discusses options for financing of the capital master plan and recommends the use of a letter of credit and a five-year assessment plan as the appropriate financing mechanism.

II. Summary of the approved project scope and initial strategy

2. The capital master plan, a programme to refurbish United Nations Headquarters in New York, was proposed to the General Assembly as an approach to resolving unacceptable deterioration, building and fire code deficiencies, deficiencies in modern security requirements and standards and environmental problems in the seven buildings and 17-plus acres of the complex (see A/55/117). The complex was found to include building systems that were well past their useful life as well as hazardous materials, including asbestos, and standards of building safety in key areas, notably in regard to sprinklers, were found to be unacceptable and systems were impossible to operate at an acceptable level of energy efficiency. The General Assembly authorized the preparation of a comprehensive design plan and cost analysis to include all viable alternatives (resolution 55/238). That effort, called the preliminary phase of design, was undertaken in 2001 and 2002, and the results were reported to the Assembly (see A/57/285 and Corr.1). A project scope, scope options, budget and an approach to phasing and swing space were selected subsequently and endorsed by the Assembly (resolution 57/292). Annual reports submitted to the Assembly detailed the progress of the design, as well as the status of swing space and the funding proposals (see A/58/599, A/59/441 and Add.1).

3. The approved project scope included the refurbishment of all of the buildings of the United Nations Headquarters campus as well as the site. The refurbishment included the replacement of building systems, code compliance, the removal of hazardous materials, security upgrades, the replacement and repair of exterior facades, better use of space and the replacement of finish materials (ceilings, floor coverings and interior walls) where removal was needed in order to accomplish other work. The approved scope of work required that areas under renovation be vacated. Two possible approaches were presented after evaluation of numerous alternatives. The first approach involved vacating the complex to the greatest extent possible. It assumed that the General Assembly, Conference, Secretariat, South Annex and Dag Hammarskjöld Library buildings would be vacated during refurbishment. It further assumed that the activities located in the second and third basements and in the North Lawn extension building would be internally relocated on site in order to allow refurbishment to proceed in those areas. The second approach was to pursue the project in a series of small phases.

4. The feasibility of the first approach was made possible by an offer by the City of New York of a swing space building, called UNDC-5, to be constructed by the United Nations Development Corporation (UNDC) immediately south of the United Nations Headquarters campus. Among the advantages of this approach were that the

Headquarters would be maintained at its current central geographic location, close to the permanent missions of Member States, and that the estimated cost and rental of the UNDC-5 space was reasonable owing to the tax-advantaged status of UNDC as a New York State public benefit corporation.

III. Developments relating to the project since the issuance of the second progress report

5. Design development work started on the basis of the approved scope, assuming the first approach regarding phasing. Major technical studies were completed and the results incorporated into the design documents. By September 2005, some 60 per cent of project documentation for design development for the General Assembly, Conference, Secretariat, South Annex and North Lawn buildings and the basements and central infrastructure had been completed. Cost estimates for the project were updated on the basis of that documentation and the latest market indices.

6. However, several developments have had a serious impact on the viability of the first approach and the project budget. They include:

(a) Failure of plans for the UNDC-5 building. As reported previously (see A/59/441/Add.1), construction of the proposed UNDC-5 building by New York City and State immediately south of United Nations Headquarters was not possible at the cost or with the schedule initially estimated. By June 2005, the legislation necessary to begin the project had not been introduced in the New York State legislature. The United States federal legislation required to allow bonds for UNDC-5 to be exempt from federal taxation, an assumption made in the costing of UNDC-5, was also not introduced in the United States Congress. UNDC-5 is no longer a realistic option for swing space for the foreseeable future;

(b) A significant increase in swing space costs. Commercial alternatives for swing space have been explored since the failure of UNDC-5. The review has indicated that local real estate markets for office space are currently strong, and lease prices continue to rise. These factors have affected the cost of commercial swing space alternatives. Furthermore, no commercial solutions were found to accommodate the activities of the General Assembly and other intergovernmental organs. For those activities, the construction of temporary buildings on site would be required. On the other hand, local security authorities have advised that they would not recommend a single rental location for swing space nor that high-profile individuals or functions be relocated off the United Nations Headquarters campus during the refurbishment. The net effect of these findings indicated that swing space costs of the first approach would increase to some $375 million, or some $279 million more than the planned $96 million cost of leasing of UNDC-5 estimated initially;

(c) Additional costs resulting from updating the project documentation. The submission of 60 per cent of the design development documentation in September 2005 made it possible for the first time to make detailed cost estimates based on actual design plans. That documentation has revealed elements that were not fully costed in earlier, less detailed general estimates and identified changes in building code requirements and in security and redundancy systems leading to additional

costs. While those changes did not indicate a significant increase in construction costs, overcoming dramatic cost increases owing to the failed plans for UNDC-5 and the rapid inflation of construction costs has required a look at new approaches for the capital master plan in order to avoid the elimination of critical scope items from the plan;

(d) Significant changes in costing parameters. Construction inflation, which was almost at a zero per cent level in 2002 and 2003, accelerated to 11 per cent in 2004. Construction estimates were recosted accordingly to a start date of 2005. This factor, combined with scope evolution and future escalation in estimates projected at 8 per cent annually in 2005 and 2006, 4 per cent in 2007 and 3.5 per cent thereafter, will result in a potential increase of the project budget by some $224.9 million. Labour and material markets are tight and are expected to continue to put pressure on the cost estimates.

7. In summary, as at September 2005, the approved swing space option is no longer available, the alternative swing space costs are higher than initially projected and likely to go higher, and the construction cost escalation is pushing the budget upward to the new estimate of some $1,600 million. These developments have called for a re-examination of the strategy and alternatives for the capital master plan and the development of new approaches and schedules to meet the defined scope. The proposals outlined below contain a re-examination of the phased strategy, including issues of how core systems and related distribution to each building could be phased; the identification of essential functions that cannot be interrupted and of programme parameters (i.e., functions) that must be phased together; and a summary of a phased sequence of project implementation that would be physically and operationally feasible.

IV. Summary of new strategic options

8. Four main strategies were examined in the new situation based on the assumption that the General Assembly would approve the new approach at the main part of its sixtieth session. For consistency with prior reports, all figures include labour and materials, general conditions, cost escalation, contingencies, professional fees and owner's costs. The strategies are as follows:

(a) *Strategy I, one phase, full scope*. This strategy includes vacating the maximum amount of space at Headquarters, moving to four or more commercial swing space sites in midtown and downtown Manhattan and, for the Dag Hammarskjöld Library, to a space in Long Island City, Queens; building temporary conference facilities on the North Lawn for servicing meetings of intergovernmental organs; and then renovating the entire Headquarters complex in one major phase. This approach represents a variation on the first approach as previously approved. The cost is estimated to be $1,552.8 million, reflecting a $503.8 million increase over the initial estimates, including $224.9 million due to changes in the renovation costs and $278.9 million due to increased swing space costs as described above. The projected completion date is in the last quarter of 2011;

(b) *Strategy II, one phase, reduced scope*. This strategy includes the scope of strategy I above for phasing and swing space but recommends cutting the approved renovation scope to stay within the initial $1.2 billion estimate. The projected completion date is also in the last quarter of 2011. This strategy is not feasible;

(c) *Strategy III, new office building, phasing General Assembly/conference buildings, deferring renovation of the Secretariat building*. This strategy includes construction of a new permanent office building on the North Lawn; leasing of space for the Dag Hammarskjöld Library in Long Island City; and building of temporary conference facilities on the North Lawn accommodating a part of the meeting space requirements. The Secretariat would be relocated to the new office tower. The General Assembly building would be renovated, followed by the renovation of the Conference building in two phases. Renovation of the Secretariat building would be deferred for a future project. The cost of this alternative is estimated at $1,584.5 million, reflecting a $535.5 million increase, including an increase in swing space cost of $544.1 million for a new office tower, offset by excluding the Secretariat renovation costs. The completion date is projected for early 2013. If preparation of the exterior shell and utility core of the existing Secretariat building is included in this strategy, with a view for that building to be a future consolidation building, an additional cost of $310.0 million would be involved. Furthermore, if the interior renovation of the Secretariat is added, the cost would include an additional $220.0 million, with another year added;

(d) *Strategy IV, phased approach*. This strategy includes leasing of approximately 10 floors of office space (228,000 square feet, or 21,182 square metres) in midtown Manhattan and space for the Dag Hammarskjöld Library in Long Island City and building of a temporary conference facility on the North Lawn to accommodate a part of the meeting space requirements. The phased renovation would proceed as follows: 10 floors of the Secretariat building would be vacated at each phase to allow renovation of the Secretariat building in four phases; the entire General Assembly building would be renovated, followed by the Conference building, which would be renovated in two phases. The costs are estimated at $1,587.8 million, including a $470.5 million increase due to phasing, construction cost escalation and redesign and $68.3 million due to increased requirements for swing space. The projected completion date is in late 2013, with some minor work to be done in 2014.

V. Framework for evaluation of the new strategic options

9. Common assumptions for all four strategic options are as follows:

(a) A determination of the approved strategy will take place at the main part of the sixtieth session of the General Assembly;

(b) UNDC-5 is no longer an option for swing space;

(c) No functional, affordable and suitable commercial swing space exists in New York City for the activities of the General Assembly and other intergovernmental organs;

(d) All strategies except strategy I require a certain amount of redesign work;

(e) The UNITAR building has been eliminated from the capital master plan space. The building, while useful during the refurbishment process, is not a cost-effective building to operate over the long term. It is therefore not included in the refurbishment scope, and it requires a separate determination of its long-term status as a United Nations property;

(f) Scope options for additional security, sustainability and redundancy, as set out in document A/57/285 and Corr.1, are applicable to all strategies. The cost of these options is also subject to construction cost escalation, increasing the initial estimate of $144 million to today's estimate of $161 million. A contingency provision for a new multifunction hall and large conference room was also proposed. That addition, if approved for a later stage, would raise the project cost by another $63.9 million;

(g) Cost estimates do not include new furniture (except for the three new mid-sized meeting rooms) or equipment such as computers, servers, television cameras or shop machinery, except where that equipment is part of the permanent building infrastructure. In order to provide proper furniture and equipment, it will be necessary to incorporate a provision of up to $100 million in the regular budget in the years leading up to completion of the capital master plan;

(h) Conference facilities within the scope of any proposed strategies will not be sufficient to accommodate any activity in excess of the core activities of the United Nations Charter organs and their subsidiary bodies (Activities programmed in the draft calendar of conferences and meetings of the United Nations for the biennium 2006-2007 will not be affected). Accommodation of the core activities will require careful planning of the calendar of conferences and meetings and possible adjustment of the regular meeting schedule. Member States may wish to note, therefore, that there would be a limitation of the capacity for holding activities at Headquarters that involve extra space and service requirements and a large number of participants, such as international conferences and summits. These would need to be held at other United Nations locations. Furthermore, outreach activities for visitors and non-governmental organizations, retail services, exhibits, full dining facilities, many staff and delegate services, receptions and special events would not be possible during the renovation in their present scope. Those activities would need to be either significantly curtailed or temporarily discontinued;

(i) Reconfigurations will not be made for secondary office moves; that is, when occupancy of office space changes during the renovation process, the new occupants will have to adapt to existing floor configurations.

10. The evaluation also assumed that key decisions, including approval of a project strategy, project scope and associated budget and approval of a required appropriation for 2006 consistent with the approved strategy would be made by the General Assembly affirmatively during the main part of its sixtieth session, in 2005. With construction costs rising and real estate options narrowing, all the strategies are vulnerable to delays of even one month.

11. The four strategies also address the following issues:

(a) The extent of the required renovation, based on the condition and problems of the existing facility;

(b) Operational considerations, including the importance of avoiding disruption to ongoing activities to the extent possible and the practical consideration of the importance of relative geographical proximity to best support the activities of the Organization;

(c) Total project costs, including the probable escalation and required contingencies;

(d) Project schedule, including the possible start date, expected completion date and number of renovation phases involved.

VI. Evaluation of strategic options and related recommendations

12. The estimated cost and projected schedules for each evaluated strategy as compared to the approved approach are summarized in table 1. Although UNDC-5 is no longer available as a swing space, the second column under "Background" provides an updated reference point for the approved first approach. It includes the updated costs of the one-phase renovation approach and the update (as at May 2005) of the costs of leasing UNDC-5, as well as the additional costs expected to have been incurred by delaying the renovation of the Headquarters buildings to accommodate the UNDC-5 schedule (see A/59/441, Add.1, table 5). Estimates in this column and all estimates for the new strategies are based on January 2005 construction prices, recosted from the prior pricing date of January 2002.

Table 1

Estimated costs and projected schedules for strategic options

(Millions of United States dollars)

	Background		*New strategies*			
	First approach (one phase, UNDC-5)[a]	*First approach, (if UNDC-5 is available)*[b]	*I*	*II*	*III*	*IV*
Construction costs	537.4	651.9	651.9	456.7	487.3	734.6
Contingencies	143.0	173.5	173.5	121.5	118.6	184.4
Professional fees, management costs	97.6	118.3	118.3	82.9	99.5	144.3
Forward pricing escalation	175.0	234.2	234.2	164.0	239.0	360.2
Subtotal, renovation	**953.0**	**1 177.9**	**1 177.9**	**825.1**	**944.4**	**1 423.5**
Swing space (combined office and conference)	96.0	250.5[d]				
Office[c] swing space	-	-	278.1	278.1	585.4[f]	109.6
Conference swing space	-		96.8	96.8	54.7	54.7
Delay for UNDC-5	-	114.0[g]	-	-	-	-
Subtotal, swing space	**96.0**	**364.5**	**374.9**	**374.9**	**640.1**	**164.3**
Total revised estimate[h]	**1 049.0**	**1 542.4**	**1 552.8**	**1 200.0**	**1 584.5**	**1 587.8**
Secretariat exterior and core costs	-	-	-	-	310.0	-
Secretariat interior costs	-	-	-	-	220.0	-
Total revised estimates	**1 049.0**	**1 542.4**	**1 552.8**	**1 200.0**	**2 064.5**	**1 587.8**
Completion date based on initiation of strategy on 1 January 2006	Late 2010	Late 2010	Late 2011	Late 2011	Early 2013[i]	Early 2014

Note: A hyphen (-) indicates that the data are not applicable.

[a] 2002 prices.

[b] January 2005 prices.

[c] These strategies are derivations of strategies I and IV.

[d] Midpoint of $248 million to $253 million, as reported in table 5, A/59/441/Add.1.

[e] Includes the Dag Hammarskjöld Library.

[f] Includes new building costs estimated at $572.3.

[g] As reported in table 5, A/59/441/Add.1. Costs of the delay would be slightly increased if recalculated today.

[h] Does not include scope options, estimated at $161 million.

[i] Late 2014, if adding the core and shell work for Secretariat; late 2015 if adding Secretariat interior work.

13. The costs of the three feasible strategies can also be compared on the basis of cost per square foot of renovated or new area, thus clarifying the overall cost of strategy III in relation to other strategies (see table 2).

Table 2
Comparison of project costs per square foot for feasible strategies

	Strategy		
	I	*III*	*IV*
Construction cost only[a]	651.9	487.3	734.6
Headquarters renovation area[b]	2 587	1 687	2 587
Construction cost per square foot of Headquarters renovation area	**251.99**	**288.86**	**283.96**
Total revised estimate[a]	1 552.8	1 584.5	1 587.8
Headquarters renovation area, plus new building for strategy III[b]	2 587	2 587	2 587
Project cost per square foot	**600.23**	**612.49**	**613.76**
Total revised estimate including Secretariat building renovation[a]	1 552.8	2 064.5	1 587.8
Area with Secretariat building renovation[b]	2 587	3 487	2 587
Project cost per square foot, including Secretariat building renovation	**600.23**	**592.06**	**613.76**

[a] Millions of United States dollars.
[b] Millions of square feet.

14. *Strategy I, one phase, full scope.* Acceptance of this option would involve absorbing the full increased commercial cost of swing space associated with the loss of UNDC-5, as well as the costs of a temporary conference facility on the North Lawn large enough to accommodate all current meeting functions. The meeting swing space requirements (approximately 213,000 square feet/19,788 square metres) are too large for a single temporary structure and thus would consist of multiple structures. The advantages of this strategy are that it would accomplish the full required scope, minimize disruption to United Nations Headquarters activities and to the renovation work and have the shortest projected schedule. The disadvantage of this strategy is that it would disperse the Secretariat staff to multiple locations not directly adjacent to meeting facilities. This inevitably would make it more difficult for the Organization to function during the renovation period. It would also require a great deal of flexibility across the entire Organization, including a possibility for secondary moves (e.g., out of UNDC-1 or UNDC-2) in order to place offices directly involved in serving intergovernmental organs as close as possible to the existing campus. This strategy would require major involvement in the New York real estate market. Costs have been based on the average of actual available class A office space, two in midtown Manhattan and two in downtown Manhattan. If market prices rose, the spaces would have to be farther from Headquarters in order to obtain the same price. Leases are not likely to be available for the relatively short durations required, and the large office swing space requirement would create a significant

financial risk if the Organization wished to sublet the space for the excess duration of the lease and was unable to do so at the price necessary to cover its costs. The cost is significant, including $374.9 million to be utilized for temporary leased and constructed facilities. The schedule would require firm lease commitments in early 2006.

15. *Strategy II, one phase, reduced scope*. This option would require cutting the scope of the capital master plan by some 30 per cent in order to create a reduction of $352.9 million in the scope of the renovation work (from $1,177.9 million to $825.1 million) to reach a budget of $1, 200.0 million while accommodating the full swing space cost of $374.9 million. There is no safe way to accomplish this strategy, as this degree of reduction cannot be accomplished without eliminating life safety systems, leaving the complex in the same unacceptable condition that exists today. It would also require maximum reuse of existing systems and would therefore not even resolve basic system reliability problems. This strategy is not feasible.

16. *Strategy III, new office building, phasing General Assembly/Conference buildings, deferring renovation of the Secretariat*. This option would require acceptance of a new permanent building on the North Lawn. The early planning for Headquarters included an option for an office building in this location, but in the intervening years the option was dropped owing to consideration that the open space of the North Lawn was a valued resource and that the Headquarters complex was considered a world monument of significant architectural value. The advantages of this approach are that the full scope would be accomplished in the same buildings, and all occupants of the site would be in safe facilities. After a single relocation, there would be no disruption in Secretariat activities. Also, it would concentrate Headquarters activities in one location. The temporary conference facilities would be kept to a reasonable size (approximately 100,000 square feet/9,290 square metres). The temporary facility could accommodate the meetings scheduled for the General Assembly building (assuming construction of a plenary hall that would consist of two large conference rooms combined allowing four rather than six seats per delegation and some limitations to other seating), or half of the meetings scheduled for the Conference building. Once the renovation of the General Assembly building was complete it would be reoccupied and the Conference building would be renovated in two phases, with noisy work done outside of normal business hours. The disadvantages of this strategy are that disruption of the meeting functions would be possible, given the phased work in the General Assembly and Conference buildings. Also, the schedule would be prolonged by the need to construct a permanent building, which by its very location would be a significant design element. However, the greatest disadvantage of this strategy is that without major additional expense or a second capital master plan, the United Nations would be left with some 900,000 square feet (83,613 square metres) of unusable and unsafe empty space in the present Secretariat building.

17. *Strategy IV, phased approach*. This option would reduce the swing space requirements. It would phase the Secretariat building from the top down, including a series of secondary moves. Curtain wall replacement is the critical and most difficult factor affecting the phasing. Its advantages are that it would accomplish the full scope of the required renovation. Headquarters activities would be largely retained at the current site during the renovation. Because it would require less leased space than strategy I, it is less vulnerable to the New York City real estate sector. The temporary conference facilities would be of reasonable size

(approximately 100,000 square feet/9,290 square metres), as described under strategy III above. The disadvantage of this strategy is that the schedule would be extended, with some risk of inconvenience. The schedule also would require firm lease commitments in 2006.

18. For all practical reasons strategy IV is recommended. Strategy IV would maintain a functional, visible United Nations Headquarters in New York at its current site. It would minimize dependency on external elements, including the New York City real estate market. The phased approach would require close attention to site control and temporary protection, but successful projects are frequently performed in New York City with these constraints and additional requirements have been included in anticipation of mitigating those impacts. Within the Secretariat building, at every phase at least one entire protective floor would be left empty between the construction and occupied areas. The General Assembly building would be emptied while being renovated. Likewise, each horizontal segment of the Conference building (first basement with the first, then second, third and fourth floors together) would be kept empty during its renovation. To avoid disruption of meetings above or below construction, nearby components of the renovation would be scheduled to occur in this building outside of normal business hours only.

19. It should also be noted that although all renovation strategies would restrict the full range of United Nations activities at the Headquarters site, the impact on functions requiring special space other than office, meeting and meeting support functions (e.g., exhibits) would be less severe in a phased approach than in an approach that entirely closed the campus.

VII. Comparative cost parameters

20. A reasonable question that could be asked in relation to the above proposals is how the cost of the renovation of Headquarters compares to the costs of other construction and renovation projects of similar magnitude. No other building complex exactly mirrors the combination of functions and building types within the United Nations complex, but current market figures for different types of projects can be examined as a reference point. It is essential in these discussions to be certain what is included in comparative figures. The actual gross area covered by the project is 2,587,000 square feet, or 242,000 square metres (without the UNITAR building). This is nearly 58 acres, or 23.5 hectares, of building area being renovated. The pure construction cost, including labour, materials and general conditions for strategy IV, totals $734.6 million, or $284 per gross square foot. The average "loaded" cost of strategy IV in today's prices, which excludes escalation and includes contingencies, fees and management costs, is $411 per gross square foot. This average value includes all types of spaces, from the infrastructure-intensive technology centre to the functional spaces of the parking garages. For comparison, recent figures for the comparable "loaded" cost of new office construction in Manhattan are between $550 and $650 per gross square foot.

21. The process of controlling the scope and cost of the capital master plan will continue to be part of the project management and value engineering process during design development and contract document preparation, regardless of the particular strategic direction.

VIII. Summary of resource requirements for recommended strategy

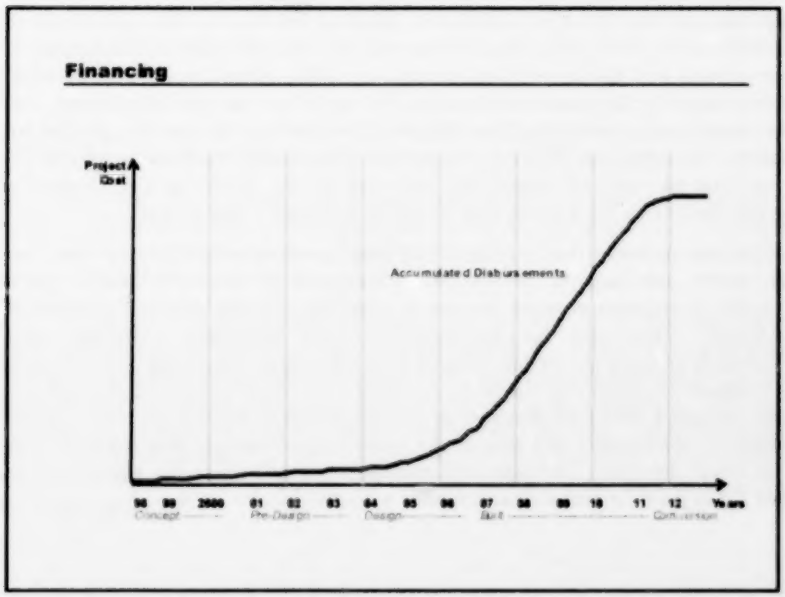
22. The estimated costs of the project under strategy IV amount to $1,587.8 million. This includes the costs covered by the amount of $8 million appropriated in 2001 for the preliminary phase and the $43.3 million ($25.5 million plus $17.8 million) approved by the Assembly for the design phase from 2002 to 2005. The estimated project costs broken down on an annual basis for the estimated duration of the project are detailed in table 3.

Table 3
Estimated expenditure pattern for strategy IV
(Millions of United States dollars)

Year	*2001-2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*	*2014*	***Total***
Expenditure	33.1	126.9	118.5	197.7	234.0	247.9	289.9	238.6	84.1	17.1	**1 587.8**

23. The accumulated requirements for the capital master plan during construction, based on the pattern of the construction phasing and assuming that the recommended strategy IV is selected and that construction will start in mid-2007, are identified in figure 1. The accumulated requirements will increase significantly from 2006 on as the project moves to the development of construction documents and drawings and the preconstruction planning phase. From 2008 on, assuming project duration of seven years, the construction costs will be between $200 million and $250 million annually, increasing to a peak of nearly $300 million in 2011.

Figure 1
Accumulated disbursements during construction



IX. Consideration of funding aspects

Construction industry requirements

24. Industry practice in the United States of America requires that, in order to undertake a construction project, a building owner must demonstrate full financial capability to complete the project.

25. Construction contractors will be required to obtain and provide performance, payment, labour and materials bonds. Bonding entities (sureties) will not issue those required bonds unless the United Nations demonstrates that it has the financial resources available for the full value of the construction contract. In addition, insurance companies that provide builder's risk insurance will require similar evidence from the United Nations.

Separate capital master plan fund

26. To facilitate evidence of such financial capability, the United Nations would be required to maintain a separate capital master plan funding facility within its accounting system to demonstrate the availability of funds for the project. The acceptable form of such funds would be:

(a) Cash on deposit in the fund;

(b) Loan or bond proceeds on deposit in the fund;

(c) Evidence of an irrevocable loan commitment to the fund;

(d) Internationally syndicated letters of credit for amounts not secured by items (a) to (c) above.

27. It is recalled that by its resolution 57/292, the General Assembly decided that a special account should be established for accounting for income and expenditures related to the capital master plan. Since an early stage of the project, that account has been maintained in a simplified form. In order to meet the requirements of the construction industry, it is foreseen that the terms of reference of the capital master plan special account would be extended and that the account would be maintained in full compliance with the stated requirements, including establishment of a working operating reserve in the context of financing the capital master plan operations. It is also assumed that the assessment on Member States of appropriations approved by the General Assembly for financing the project costs would be made on an annual basis and that the scale of assessments approved by the Assembly for the regular budget and applicable for a given year would be utilized for that purpose.

28. It is also foreseen that, owing to the multi-year nature of this activity, the capital master plan account would be administered in the same manner as a construction-in-progress account, bearing in mind the relevant recommendations of the Advisory Committee on Administrative and Budgetary Questions (see A/57/7/Add.4) as endorsed by the General Assembly in its resolution 57/292. Any funds temporarily unutilized would be invested on a short-term basis through the centrally managed cash pool mechanism and the proceeds from investments would be credited to the account and utilized for project requirements, thus reducing the need for direct deposits. The cash pool mechanism would allow the withdrawal of invested funds on short notice in accordance with programme needs.

29. For any major capital project, the creation of a working capital reserve is also essential. The main purpose of such reserve under the capital master plan special account would be to cover temporary cash flow deficits and facilitate advance procurement or accelerated construction activity. For the budget detailed above, a working capital reserve at the level of 20 per cent of anticipated annual expenditures is recommended to allow proper management and uninterrupted funding of the project. This reserve should be established before the construction phase of the project begins, namely, effective 2006. On the basis of the above considerations, a reserve is proposed in the amount of $45 million, which would represent less than 3 per cent of the total project budget. The reserve would be financed through a separate assessment on Member States and managed in accordance with provisions of financial regulations 3.5, 4.2 and 4.3. The reserve would be phased out at the end of the construction phase of the project and the related contributions credited back to Member States.

30. Given the distinctive nature of the capital master plan account, ensuring a stable cash flow is an essential precondition for uninterrupted financing of the project costs. From this perspective, the General Assembly may also wish to consider the possibility of imposing interest to be charged for late payment of the assessed contributions to the capital master plan account as an exception to the present policy. To that end, the Assembly may wish to request the Committee on Contributions to make a recommendation in that respect to the Assembly at its sixty-first session.

X. Financing options

Assessments on Member States

31. *One-time assessment*. The option of a one-time cash assessment on Member States equal to the value of the total anticipated capital master plan project costs would meet all requirements for funding the capital master plan without additional fees only if it were made entirely as a lump-sum assessment before construction began and the Member States paid their contributions in full and on time. This could lower the burden on Member States because the contributions would be invested and earn interest on deposit. However, the application of a one-time cash assessment would place a significant financial burden on Member States and might not be suitable for some Member States for funding the capital master plan.

32. *Multi-year assessments*. The application of multi-year cash assessments, which would be phased to meet the expenditure needs of the project and facilitate the build-up of cash reserves in the early years of construction, would meet many of the requirements for funding of the capital master plan.

33. There are several possible scenarios for the phasing of the cash payment options, which have different impacts on the cash flow, owing to the possibility of investing temporarily free funds. The following scenarios for phasing the multi-year cash assessment option and the respective impact of each scenario, developed in response to requests by Member States made during informal consultations of the Fifth Committee during the review of the second progress report at the fifty-ninth session of the General Assembly, are detailed in table 4 for consideration by the General Assembly.

Table 4
Multi-year cash assessments scenario[a]

(Millions of United States dollars)

	2001-2003	2006	2007	2008	2009	2010	2011	2012	2013	2014	Total
Alternative A: 20 per cent per year of the 2007-2014 costs for the first five years of construction											
Expenditure	33.1	126.9	118.5	197.7	234.0	247.9	289.9	238.6	84.1	17.1	1587.9
Percentage received each year	–	–	20	20	20	20	20	–	–	–	–
Assessment funds received	51.3	108.7	285.6	285.6	285.6	285.6	231.0	–	–	–	1933.7
Funds in reserve by year's end	18.2	—	167.1	260.0	321.5	370.4	328.6	97.2	16.5	–	–
Estimated interest earned[b]	—	—	5.6	9.1	11.3	13.0	11.5	3.4	0.6	–	54.5
Alternative B: 25 per cent per year of 2007-2014 costs for the first four years of construction											
Expenditure	33.1	126.9	118.5	197.7	234.0	247.9	289.9	238.6	84.1	17.1	1587.9
Percentage of funds received each year	–	–	25	25	25	25	–	–	–	–	–
Assessment funds received	51.3	108.7	356.9	356.9	356.9	278.3	–	–	–	–	1509.1
Funds in reserve by year's end	18.2	—	238.4	406.1	543.2	593.6	324.5	97.2	16.5	–	–
Estimated interest earned[b]	—	—	8.3	14.2	19.0	20.8	11.4	3.4	0.6	–	77.7

Note: An em dash (—) indicates that an amount is nil or negligible; a hyphen (-) indicates that the data are not applicable.

[a] The multi-year cash assessment is applied to the construction phase, which begins in 2007.

[b] Interest rate is assumed to be 3.5 per cent.

34. The above alternatives can be summarized as follows:

- Alternative A: assessed contributions would be equal to 20 per cent of the total value of the anticipated expenditures during construction for the first five years, commencing in 2007
- Alternative B: assessed contributions would be equal to one quarter of the value of the anticipated expenditure during construction for the first four years, commencing in 2007

35. Alternatives A and B would both meet the requirements for cash assessments to fund the capital master plan and those of the capital reserve fund described in paragraph 29 above. However, they do not fully meet the construction industry requirements discussed in paragraphs 24 and 25 above. Consequently, the United Nations would require in addition one or more of the following credit facilities or instruments to be in place:

(a) An irrevocable letter of credit;

(b) A loan or loan guarantee, which may be in the form of a bond capital issue or a host country loan offer.

Internationally syndicated letter of credit

36. The letter of credit would be required to be valid for the duration of the construction contract but could be renegotiated as the unpaid balance of construction costs declined over the construction period. The cost of the letter of credit would range from 0.05 per cent and 0.50 per cent of the value of the remaining project cost not secured by actual assessment collections or deposits on hand. No allowance has been made in the estimated budget for the costs of a letter-of-credit facility.

Bond capital issue

37. In the annex to document A/55/117, the Secretary-General provided an explanatory note on the mechanisms associated with a possible bond offering by the United Nations to finance all or part of the capital master plan. While the specific example provided in paragraph 6 of the annex is no longer valid, the description of this mechanism as a vehicle for funding the capital master plan remains valid.

38. The Secretary-General does not believe that the bond offering by the United Nations would be an appropriate option for financing the capital master plan. The issuance of bonds by the United Nations would be secured by Member States' assessed contributions to the regular budget. Interest paid by the United Nations to bondholders would be charged to the Organization and would significantly increase the cost of the capital master plan.

39. The issuance of bonds by the United Nations would be a realistic solution only if all Member States were to participate in the use of bonds to finance the capital master plan. However, a number of Member States have indicated a preference for the funding of the capital master plan by direct assessments. In these circumstances, the Secretary-General does not recommend the bond offering option to finance the plan.

Host country loan offer

40. In document A/59/441/Add.1, the Secretary-General indicated that the host country had formally made an offer of an interest-bearing loan of $1.2 billion, at an interest rate of 5.54 per cent, up to a maximum period of 30 years, which had been approved by the United States Congress. The Secretary-General also indicated that the host country had advised that the loan offer would lapse if not accepted by the United Nations by 30 September 2005.

41. No decision was taken by the General Assembly at its fifty-ninth session on the offer of a loan from the host country. On 9 September 2005, at the meeting of the Fifth Committee of the General Assembly, the representative of the host country verbally advised the Committee that the capital master plan-related loan offer would be renewed and adjusted.

42. As at the date of the present report, the Secretary-General had not received formal notification from the host country of the loan offer renewal.

43. Depending on the terms and conditions of an expected renewed loan offer from the host country, the existence of such a loan could act either as a source of project funds or as a credit enhancement vehicle to enable the United Nations to access short-term borrowing or letters of credit in international capital markets.

XI. Status of appropriations and expenditures

44. In its resolution 57/292, the General Assembly appropriated $25.5 million for the design development phase of the capital master plan and provided a commitment authority of $26.0 million for the biennium 2004-2005 for the preparation of construction documents. In its resolution 59/295, the General Assembly decided to convert $17.8 million of the $26.0 million commitment authority into an appropriation and renewed the existing commitment authority for the balance of $8.2 million for 2006.

45. Actual expenditures as at 30 September 2005 amounted to $22.1 million. This consists of actual expenditures of $3.2 million in 2003, $14.8 million in 2004 and $4.1 million for 2005 as at 30 September. For the remainder of 2005, it is now expected that an additional $3.0 million will be spent, bringing the total 2005 estimated expenditures to $7.1 million. This is $10.7 million less than had been anticipated in document A/59/441/Add.1. It should be noted in connection with this estimated underexpenditure that it had previously been planned to commence the construction documents phase for most contracts and to initiate the design development phase for the other remaining contracts in 2005. Thus, it had been anticipated that by the end of 2005 further obligations would have been raised in the amount of $16.6 million. However, in the light of the new strategic options being recommended in the present report, the initiation of the construction documents phase will likely occur in early 2006. Expenditures for the period 2002-2005 and estimated expenditures for 2006 are detailed in table 5. This pattern of expenditures is based on strategy IV.

Table 5

Expenditures for the period 2003-2006 for the design development and construction documents phases

(Thousands of United States dollars)

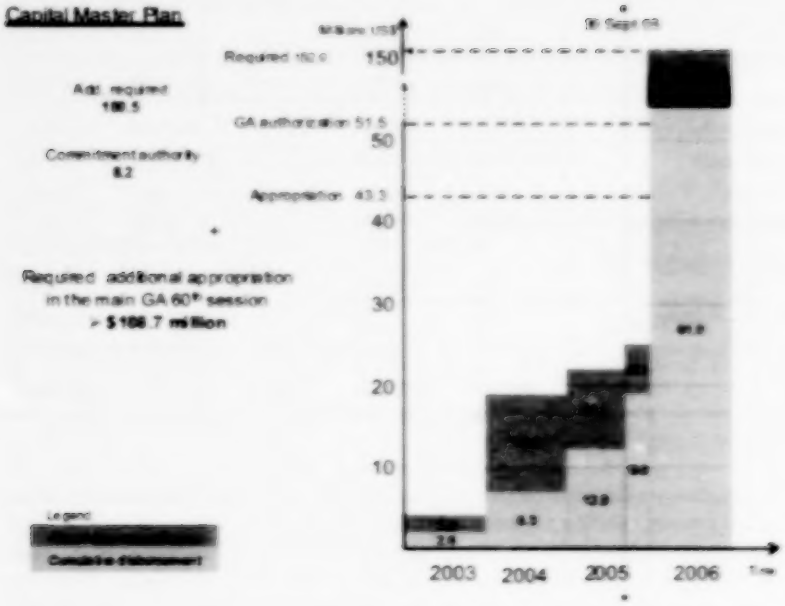
	2003[a]	2004[a]	2005	2006	Total
Design contractual services	612.1	9 573.9	2 990.7	25 115.9	38 292.6
Direct staff costs	1 611.1	1 720.9	1 525.3	2 497.0	7 354.3
Support costs	180.6	574.2	677.4	765.5	2 197.7
Operating and other costs	556.0	589.3	489.9	655.0	2 290.2
Programme management and consultants	245.7	2 378.5	892.7	10 123.5	13 640.4
Construction manager	—	—	—	2 000	2 000
Swing space cost	—	—	506.3	85 718.5	86 224.8
Total	**3 205.5**	**14 836.8**	**7 082.3**	**126 875.4**	**152 000.0**

[a] Actual.

46. As originally scheduled, 60 per cent of the design development documents for the original strategy, strategy I, were received by September 2005, and 100 per cent of the design development documents for the major work will be completed between October 2005 and January 2006.

47. Figure 2 shows in graphic form the expenditure pattern anticipated on the basis of the recommended strategy. As the graph indicates, disbursement lags considerably behind expenditures owing to several factors, including the fact that in the capital master plan project most of the costs relate to professional services, which are performance based, namely: 10 per cent of the total lump-sum contract value is paid over time and the remaining payments are set as follows: 13 per cent is paid after scope confirmation; 29 per cent is paid upon receipt of 60 per cent of completed design development documents; 29 per cent is paid upon receipt of 100 per cent of completed design development documents; and the last 29 per cent is paid upon acceptance of the revised documents incorporating all comments. For construction documents, payments are similarly phased.

Figure 2
Expenditures versus disbursements



48. As indicated in table 5, the anticipated requirements for 2006 are estimated at $126,875,400. These requirements could be financed in part by the balance of the unutilized 2002-2005 appropriation in the amount of $18,177,400. For the balance of the requirements of $108,698,000, the 2006 commitment authority in the amount of $8,198,000 renewed for 2006 under the terms of resolution 59/295 should be converted into the appropriation and, furthermore, an additional appropriation in the amount of $100,500,000 million should be approved.

XII. Status of the advisory board and financial consultant

Advisory board

49. In line with section II, paragraph 19, of General Assembly resolution 57/292 and as reported in document A/59/441, the Secretary-General has initiated the process of establishing an advisory board. A broad list of potential candidates for the board has been developed over the past two years. A number of meetings have been held with potential candidates for chairperson of the board, but all have declined to serve, for the following main reasons:

(a) An undertaking the size of the capital master plan would require a significant time commitment and knowledge of the plan;

(b) There were potential liability issues;

(c) The advice could be better obtained from firms specializing in the specific areas;

(d) Given the nature of the required expertise, persons or firms prominent in the financial field could be competitors for the work involved and participation in the advisory board would preclude that possibility.

50. The Secretary-General continues his efforts to create an advisory board, but no solutions have yet been found to overcome the constraints identified above. The Secretariat continues to investigate the financial costs and structures required to overcome these problems.

Financial consultant

51. An expression of interest was issued in April 2005 and a request for proposals was subsequently issued to 14 firms. No response to the request for proposals was received. The request for proposals was issued on two additional occasions. Finally, in September 2005, two firms responded. A technical evaluation was conducted, and one firm was found to be technically qualified. The financial proposal submitted by the technically qualified firm was, however, excessive for the services required. The proposed financing mechanisms have been tested informally with a recognized financial institution. On the basis of the funding mechanisms selected by the General Assembly, additional steps will be made to select a financial consultant to design and develop the details of an implementation plan for the financing of the capital master plan.

XIII. Conclusions and recommendations

52. **The full scope of the capital master plan renovation is important for the safety of all occupants at United Nations Headquarters. It is important to restore reliability to the ageing infrastructure and prevent unpredictable disruptions to the work of the Organization, which are being experienced with increasing frequency. The Organization should also be an international pacesetter for sound environmental practices. All schedules and costs presented herein are based on the assumption that the strategy and cost estimates will be approved by December 2005. It is critical, therefore, that a decision on the future direction of the project be taken by the General Assembly at its current session.**

53. **The Secretary-General recommends that the General Assembly:**

(a) **Approve, effective 1 January 2006, the recommended strategy for implementation of the capital master plan, strategy IV (phased approach), including the approach to phasing, swing space, cost and schedule;**

(b) **Approve a revised project budget of $1,587.8 million for strategy IV for the capital master plan, excluding potential scope options;**

(c) **Endorse the proposal of the Secretary-General to maintain a separate capital master plan account for financing the capital master plan to be operated under the terms detailed in paragraphs 26 to 29 above;**

(d) Approve the funding plan for the capital master plan based on a multi-year assessment, as outlined in paragraphs 32 to 35 above (a decision must be taken on one of the proposed alternatives);

(e) Authorize the Secretary-General to proceed in 2006 with respect to early contracts required for the recommended strategy, namely for:

(i) Design and construction of a temporary conference facility on the North Lawn at the Headquarters compound;

(ii) Design and arrangement of multi-year lease for office space and for the Dag Hammarskjöld Library in the most suitable and cost-effective locations that could be identified under strategy IV;

(f) Appropriate an amount of $108,698,000 for 2006, including the conversion of the existing 2006 commitment authority in the amount of $8,198,000 into an appropriation for financing the design and preconstruction phases, including swing space requirements, for the capital master plan;

(g) Decide that the appropriation of $108,698,000 shall be financed in accordance with regulation 3.1 of the Financial Regulations and Rules of the United Nations through an assessment on Member States in 2006 on the basis of the regular budget scale of assessments in effect for that year;

(h) Appropriate for the year 2006 an amount of $45 million for the purpose of establishing a working operating reserve under the capital master plan account to be operated under the terms of financial regulations 3.5, 4.2 and 4.3;

(i) Decide that the appropriation of $45 million for the purpose of establishing a working operating reserve under the capital master plan account shall be financed in accordance with financial regulation 3.1 through an assessment on Member States in 2006 on the basis of the regular budget scale of assessments in effect for that year;

(j) Request the Committee on Contributions to make recommendations to the General Assembly at its sixty-first session on the level and modalities of an interest rate to be charged for the late payment of assessed contributions to the capital master plan account in the context of financing of the capital master plan;

(k) Note that there will be limited flexibility in the calendar of conferences for the duration of the implementation of the capital master plan and, in this context, requests the Secretary-General to submit proposals to the General Assembly at its sixty-first session, through the Committee on Conferences, under the agenda item entitled "Pattern of conferences", on the possible adjustment of meeting schedules, including a change in venue of meetings for the United Nations intergovernmental organs that normally meet at Headquarters for the period of implementation of the capital master plan;

(l) Request the Secretary-General to report on progress in the implementation of strategy IV in the context of annual progress reports on the capital master plan.

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Corrigendum

1. **Paragraph 9 (g)**

   In the second sentence, *for* regular budget *read* respective budgets

2. **Paragraph 53 (j)**

   For the existing text *substitute*

   > (j) Request the Committee on Contributions to make recommendations to the General Assembly at its sixty-first session on the possibility of imposing interest to be charged for the late payment of assessed contributions to the capital master plan account in the context of financing of the capital master plan as an exception to the present policy.

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Corrigendum

Tables 1 and 2

Replace tables 1 and 2 with the following tables:

Table 1
Estimated costs and projected schedules for strategic options
(Millions of United States dollars)

	Background		*New strategies*			
	First approach (one phase, UNDC-5)[a]	*First approach (if UNDC-5 is available)*[b]	*I*	*II*[c]	*III*[c]	*IV*
Construction costs	537.4	651.9	651.9	456.7	487.3	734.6
Contingencies	143.0	173.5	173.5	121.5	118.6	184.4
Professional fees, management costs	97.6	118.3	118.3	82.9	99.5	144.3
Forward pricing escalation	175.0	234.2	234.2	164.0	239.0	360.2
Subtotal, renovation	**953.0**	**1 177.9**	**1 177.9**	**825.1**	**944.4**	**1 423.5**
Swing space (combined office and conference)	96.0	250.5[d]				
Office[e] swing space	-	-	278.1	278.1	585.4[f]	109.6
Conference swing space	-		96.8	96.8	54.7	54.7
Delay for UNDC-5	-	114.0[g]	-	-	-	-
Subtotal, swing space	**96.0**	**364.5**	**374.9**	**374.9**	**640.1**	**164.3**
Total revised estimate[b]	**1 049.0**	**1 542.4**	**1 552.8**	**1 200.0**	**1 584.5**	**1 587.8**

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	Background[a]		New strategies			
	First approach (one phase GMOC)[b]	*First approach (if GMOC-3 is available)*[b]	I	II[c]	III[d]	IV
Secretariat exterior and core costs	-	-	-	-	510.0	-
Secretariat interior costs	-	-	-	-	229.0	-
Total revised estimates	1 049.0	1 542.4	1 552.8	1 200.0	2 114.5	1 587.8
Completion date based on initiation of strategy on 1 January 2006	Late 2010	Late 2010	Late 2011	Late 2011	Early 2013	Early 2014

Note: A hyphen (-) indicates that the data are not applicable.

[a] 2002 prices.

[b] January 2005 prices.

[c] These strategies are derivations of strategies I and IV.

[d] Midpoint of $248 million to $253 million, as reported in table 5, A/59/441/Add.1.

[e] Includes the Dag Hammarskjöld Library.

[f] Includes new building costs estimated at $572.2.

[g] As reported in table 5, A/59/441/Add.1. Costs of the delay would be slightly increased if recalculated today.

[h] Does not include scope options, estimated at $161 million.

[i] Late 2014, if adding the core and shell work for Secretariat; late 2013 if adding Secretariat interior work.

Table 2

Comparison of project costs per square foot for feasible strategies

	Strategy		
	I	II	IV
Construction cost only[a]	651.9	487.3	734.9
Headquarters renovation area[b]	2 587	1 687	2 587
Construction cost per square foot of Headquarters renovation area	**251.99**	**288.86**	**283.96**
Total revised estimate[a]	1 552.8	1 584.5	1 587.8
Headquarters renovation area, plus new building for strategy III[b]	2 587	2 587	2 587
Project cost per square foot	**600.23**	**612.49**	**613.76**
Total revised estimate including Secretariat building renovation[a]	1 552.8	2 104.7	1 587.8
Area with Secretariat building renovation[b]	2 587	3 487	2 587
Project cost per square foot, including Secretariat building renovation	**600.23**	**606.40**	**613.76**

[a] Millions of United States dollars.

[b] Thousands of square feet.

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Addendum

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Annex

Explanatory note on outside commercial borrowing*

A. Possibilities for outside commercial borrowing

1. The viability of outside commercial borrowing was examined with the assistance of a financial consultant. Several possibilities were considered, including loans guaranteed by Member States, borrowing against the assets of the Organization and a bond offering. The first possibility was not considered practical since it would require individual Member States to act as legal guarantors of a loan granted to the Organization. The second possibility, outside borrowing against the Organization's assets, was not considered viable due to the United Nations special status under the Convention on the Privileges and Immunities of the United Nations. The third possibility, a bond offering, is considered viable for the reasons explained below.

B. Bond offering

2. A bond offering represents a written obligation of the issuer to repay a loan under specific terms, including the term of years for repayment and the interest rate to be charged on the loan.

C. Financial mechanisms associated with a bond offering

3. In order for the Organization to be in a position to make a bond offering to capital markets, Member States would have to agree to the establishment of certain financial mechanisms geared to assuring investors (i.e., the bond holders) of the return of their investment. The principal mechanism to be established would entail Member States tendering their assessment payments directly to a bond trustee, normally a major financial institution, which would be authorized by the United Nations to "set aside" a certain percentage of the assessment payments for the sole purpose of meeting the required annual debt service payment (i.e., principal and interest) under the bond offering. Once the required annual debt service payment amount was reached, the trustee would no longer set aside any portion of the assessment payments, which would then be fully directed to the United Nations regular budget. At all times, Member States would be credited the full amount tendered to the bond trustee, regardless of the assessment set aside for debt servicing purposes.

D. Debt service coverage and bond interest

4. Lower interest rates on loans are available in capital markets to borrowers who have ample "debt service coverage", which is defined as total revenues available for debt service as a percentage of the *required* debt service. The availability of ample

* Previously issued as document A/C.5/47/37.

debt service coverage reduces the financial risk to investors and translates into lower borrowing costs for the borrower.

5. Ample debt service coverage for a United Nations bond could be created by permitting the trustee to set aside a higher-than-required percentage of assessment payments tendered by Member States to permit the accelerated collection by the bond trustee of the total annual debt service requirement. Such an arrangement would provide a "cushion" to protect investors from potential or unanticipated declines in the expected flow of revenue available for debt servicing. Once the total annual debt service requirement was reached, all assessment payments received by the trustee would be fully directed to the United Nations regular budget. In order to achieve the ample debt service coverage and taking into account the historical pattern of assessment payments by Member States, investors would probably require 250 per cent of the normally required debt service percentage to be set aside from assessment payments early in the calendar year, thereby allowing the total annual debt service requirement to be reached more quickly every year.

6. As an illustration, if the annual regular budget were $1,198 million and were increased by $52 million to accommodate capital master plan debt service, a Member State with a regular budget assessment of 10 per cent would contribute $125 million towards the regular budget ($1,198 million plus $52 million = $1,250 million; 10 per cent of $1,250 million = $125 million). The portion of the assessment due for plan debt service, or "assessed plan debt service", would be 10 per cent of $52 million, or $5.2 million. Assuming the contribution was made early in the calendar year, a Member State with a 10 per cent regular budget assessment would have 250 per cent of the assessed plan debt service amount retained for plan debt service by the trustee, which in this example would amount to $13 million (250 per cent of $5.2 million = $13 million). By the trustee retaining a higher proportion of early regular budget contributions, the bond holders would be assured that the annual debt service requirement would be met in a timely manner. In this illustration, upon tendering full payment of its assessed contribution, the Member State would receive full credit for its contribution to the regular budget ($125 million). $13 million would be retained by the trustee and applied towards the annual plan debt service payment, and $112 million would be released to the regular budget.

7. The end result of providing ample debt service coverage in the manner described above would be a high-to-medium grade "credit rating" for the United Nations loan, which would in turn reduce the overall cost of borrowing. A description of how credit ratings for a United Nations bond would be established is set out below.

E. Credit rating of United Nations bond

8. Any United Nations bond issue would be evaluated by market participants and potential investors by its credit rating, which is a formal evaluation of the creditworthiness of the bond issue by an independent credit rating agency. An "investment grade" rating reflects the credit rating agencies' belief that the probability of payment of the bond is high and the financial risk associated with the investment is low.

9. Investors use credit ratings as a factor in pricing loans on bonds. The more secure the borrowing, the more likely the investor is to get its loan repaid and the less risk is involved in making the loan. When investors make less risky loans, they require a lower "risk premium", thereby reducing the cost of borrowing to the borrower.

10. In establishing a credit rating on a United Nations bond issue, the credit rating agencies would focus on the source and probability of timely debt service payments, in accordance with the terms applicable to the bond issue. The United Nations goal with respect to the credit rating would be to convince the credit rating agencies to treat the borrowing as "quasi-sovereign" for credit rating purposes. Sovereign obligations, such as bonds, are commonplace in the capital markets, and demonstrate strong investor demand and confidence. The obligations of certain organizations, such as the World Bank, are defined as quasi-sovereign by the credit ratings agencies. Like the World Bank, United Nations budget assessment payments are obligations of Member States, and accordingly United Nations obligations (i.e., the bond issue) would probably be eligible to be defined as quasi-sovereign. That would provide the United Nations with the benefit of a higher credit rating, which would result in a lower cost for borrowing.

11. The credit rating agencies would probably evaluate the United Nations for credit rating purposes based on various criteria, including:

(a) Credit and security structure;

(b) Breadth, stability, predictability and collectability of revenue;

(c) Revenue source's protection from adjustment;

(d) Structural elements (e.g., trustee, funds flow, timing);

(e) Debt service coverage;

(f) Rationale for the borrowing and the project's importance.

A financial consultant firm has advised that the United Nations could expect to receive a credit rating in a range between the "AA" (very high grade, high quality) and "A" (upper medium grade) categories.

12. Member States might wish to note that a United Nations bond issue's potential appeal to investors could be enhanced by limiting the number of Member States whose assessment payments would be subject to the "set aside" mechanism described in paragraph 3 above, which would not only reduce the number of Member States whose assessment payments were used to meet the total annual debt service requirement but would also reduce the number of Member States required to be analysed by the credit rating agencies to establish the credit rating of a United Nations bond. Implementation of that approach would essentially result in the utilization of the high credit ratings of some Member States to enhance the overall credit rating of a United Nations bond issue, which would benefit all Member States since it would lower the overall cost of borrowing. Moreover, including a smaller number of Member States in the set aside mechanism would facilitate consideration of any United Nations bond offering by market participants and would probably prove easier and less costly for the bond trustee to administer. It should be emphasized that irrespective of whether a particular Member State's assessments

were utilized for set aside purposes, all assessments received by the bond trustee would be fully credited to assessed contributions.

F. Level annual debt service

13. The bonds can be structured to mature (i.e., come due) over 25 years, resulting in level annual debt service requirements. Upon the issuance of the bonds, the United Nations would invest the bond proceeds in a project construction fund account to be invested over the period of construction. Construction fund earnings would be applied to the annual debt service requirement, thereby reducing the net annual debt service to be met by the set aside procedure.

G. Agreements required

14. Two agreements would be required to be entered into for the purposes of issuing a United Nations bond:

(a) *Agreement between United Nations and participating Member States*. Every Member State involved in the set aside mechanism would be requested to enter into an agreement with the United Nations, acknowledging that its assessments would be subject to the set aside mechanism and that any assessment payments received by the bond trustee would be fully credited against its regular budget assessment;

(b) *Agreement between participating Member States and the bond trustee*. Every Member State whose assessments would be subject to the set aside mechanism would enter into agreement with the bond trustee, acknowledging that fact and that any portion of the assessment payments received by the bond trustee not used for set aside purposes would be directed to the United Nations regular budget.